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West Europe Report

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27 March 1986

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POLITICAL

DENMARK

LEFT SOCIALIST PARTY IN DISARRAY ON SECURITY, NATO POLICY

Centrists Seek Committee Meeting

PM031421 Copenhagen BERLINGSKE TIDENDE in Danish 27 Feb 86 p 10

[Report by Jesper P. Jespersen: "Revolt by Left Socialist Party Center"]

[Text] If there is anything on which all members of the troubled Left Socialist Party [VS] are agreed, it is that the situation is untenable and must be resolved, [party Folketing deputy] Keld Albrechtsen said.

Keld Albrechtsen who is the party's EEC spokesman represents together with central executive member Martin Jespersen the center group in the VS. At its extremes the party is dominated by the Red Realists, such as Anne Grete Holmsgaard, and the voppers [from "venstre," left, and "opposition," opposition]--the left-wing opposition--represented by Elisabeth Bruun Olesen.

The center grouping which, according to Martin Jespersen, has a majority of 12 out of 21 members on the central executive wants to have an extraordinary meeting of the Central Committee held within 14 days at which an attempt will be made to clarify the party's line. "You could talk about a revolt from the center, from which we want to pursue an independent party line with concrete initiatives on central funding, for example," Martin Jespersen said.

"The party will fall below the threshold for parliamentary representation [2 percent of national vote] if one of the extremist wings is to shape the party in the future. We do not want to be either a new Socialist People's Party or a new sect. Both real politics and long-term principles are needed," Martin Jespersen said.

At the same time the center group, which will stand for "flexibility in real politics combined with adherence to long-range principles," will see agreement with the voppers against the Red Realists. In a joint press statement Elisabeth Bruun Olesen and Keld Albrechtsen said that "we are tired of being harassed by the Red Realists just because we are not prepared to simply give way and back their policies 100 percent. This is not how to work, either in the VS or in a socialist majority."

27 March 1986

'Showdown' Deferred Until Fall

PM042010 Copenhagen POLITIKEN in Danish 1 Mar 86 p 3

[Report by Susanne Utzon: "Left Socialist Party Puts the Lid on Dispute"]

[Text] The showdown between the two extreme wings of the Left Socialist Party [VS]--the Red Realists and the voppers [leftwing opposition]--will probably take place at an extraordinary congress in September. Until then the party is hoping for outward calm.

At a press conference yesterday with representatives of the voppers, the Red Realists and the party's large center group, the party tried, in the words of Radioavisen, to "put the lid on the conflict."

Folketing deputy Keld Albrechtsen said that everyone in the party is agreed on fighting for a socialist majority. The disagreement within the party is about whether under such circumstances the VS should topple a Social Democratic government on issues like profit sharing and economic packages.

There has been some disagreement in the party about when the extraordinary congress should take place. Since there is a great likelihood that the congress will split the party, Folketing deputy Jorgen Lenger among others has said that the showdown cannot wait until the fall.

The VS has been experiencing a steady drop in membership, and there are fears in the party that even more members will now stop paying their membership fees after the last congress which showed how divided the party is.

The fact that the extraordinary congress will not take place until the fall is due to the fact that the party wants to give the members time to discuss the problems thoroughly, just as the various groupings need time to prepare their respective proposals for a sort of "main program for the party."

Until the congress there must be outward calm. According to Folketing deputy Elisabeth Bruun Olesen this means that members must stop taking turns to announce where they will go after leaving the VS, and why and when they will leave.

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POLITICAL

FINLAND

SDP PRESENTS DRAFT FOR NEW PARTY PROGRAM

Workers Would Share Ownership

Helsinki HELSINGIN SANOMAT in Finnish 13 Feb 86 p 9

[Article: "SDP Wants Workers As Owners of Enterprises, New Party Program Almost Complete"]

[Text] The Social Democrats are in the process of outlining a new society in which the workers will own shares in enterprises and the state will control the banks. The SDP intends to ratify its new principles at next year's party congress.

The party intends to build a society far into the next century on the basis of a new program of principles, which is in the final stages of completion. The program draft approved by the party committee is being sent out for debate by the party's organizations. The party congress next year will have the final word on the new principles. The program being prepared is the fourth in the history of the party.

The Social Democratic principles currently in effect are from 1952 when nationalization did not yet frighten people and a Marxist emphasis was not feared although the use of force to overthrow opponents was strongly condemned.

The new program of principles has been under preparation for 4 years under the leadership of SDP Chairman and Prime Minister Kalevi Sorsa. The new Social Democratic symbols according to the program draft are: a world of peace and freedom for peoples, democratic socialism and an autonomous economy, a democratic state, a civilized society with equality, and a movement of living democracy.

The Social Democrats declare that they are building a socialist society in which life-styles will be diverse, people will be independent, democracy will be an everyday operating principle, and the use of resources will be the joint responsibility of everyone.

Markets Will Direct

In presenting the program draft at a press conference Sorsa noted with respect to the principles of the economic system that the Social Democrats now recognize the markets as a factor directing the economy. "The markets are the most reliable adviser in directing production."

According to Sorsa, the same kind of thinking has appeared even the Communist Party of the Soviet Union.

According to the program draft, the economic system must be developed in accordance with the principles of common benefit, joint responsibility, planning, and the right to work. The decision-making process should be dispersed and based on autonomy, but enterprises can be diverse with respect to the form of ownership, says the draft.

The task of public power is according to the program draft to intervene in tumult of market forces when monopolization, destruction of the environment, and economic instability endanger common interests and promote inequality between population groups.

Little Was Found To Be Nationalized

Even though the Social Democrats are according to Sorsa prepared to allow thousand of flowers to bloom in the area of economic life, they want to place financial, insurance, and credit institutions under state control.

In the opinion of the Social Democrats, in private hands they prevent the development of economic democracy and threaten political democracy.

No other targets of practical nationalization were indicated in the new program.

In 1952 the Social Democrats were still prepared in principle to nationalize enterprises as well if the conditions could be created for a socialist planned economy. This principle is still in effect until the next party congress and the approval of a new program of principles.

Decision-Making Power To The Workers

State directed enterprise activity is not forgotten even in the new principles. The Social Democrats are ready to expand it to secure employment, to prevent international disturbances, to protect the environment, and to reduce economic inequality, among other things.

Decision-making power in enterprises is now being demanded for the workers.

"For this reason, opportunities for the use of decision-making power based on ownership should be created for the workers in enterprises. The opportunities for workers to establish enterprises must be improved. They must also be guaranteed the right to appoint representatives to the administrative organs of enterprises," says the program draft.

According to Sorsa, the program draft emphasizes the ownership and decision-making power of the workers while the old programs have emphasized state ownership.

Sorsa believes that ownership will induce workers to adopt a more responsible attitude toward their enterprises.

Small enterprises -- either private or jointly owned by workers -- are emphasized in the program draft as factors maintaining the economy's renewal capacity. Flexible small enterprise should be favored and supported according to the program draft.

Equality Creates Well-being

Equality continues to be the most important value objective of the SDP according to Sorsa.

"The aspiration of equality has turned out to be enduring in economic policy relations also in spite of arguments to the contrary. It has created economic growth, from which the opponents of equality have also benefited. Only by further developing and expanding equality can well-being be created even in the future."

The Social Democrats are aspiring to a new more equal society by gradual reforms. Sorsa emphasized that the movement's own history has taught that there must be room for movement in matters of policy.

The modern Social Democrat believes in the power of humanism along with Sorsa. It is made evident as follows in the program draft: "The prevailing social system is not eternal and the inequality of people is not part of nature's order. Social Democrats do not approve of the idea that the laws of history, to which social aspirations of freedom should be accommodated, are stronger than the human will. People create the future."

Power Again Fashionable

Defense policy is considered to be a part of the credibility of a security policy in the new principles. However, the Social Democrats are ready to reduce armaments as a model for the rest of the world. Citizens should also be persuaded to renounce weapons in their opinion.

The Social Democrats do not have much to say about agricultural policy; it is sufficient that agriculture produce healthy food products at a reasonable price in harmony with nature. The forests must be managed as a common property of the people regardless of who owns them.

Pertti Hynynen, who evaluated the Social Democrats' attitude toward power and the state, believes that a renaissance of power is coming.

He sees as a problem of power and as a problem for the SDP the fact that the Social Democrats are good at accumulating silver medals in the game of politics, but someone else generally wins the gold medals. Hynynen considers that

a debate of the premises of the program will continue; for example, the direct influence of citizens has been approved along with a progressive democracy as long as limits of legality are not exceeded.

Life-styles Under Party Control

At one time the Communist Party had strict rules of conduct, which extended to the private lives of its members. Regulations regarding morality have so far not been included in Social Democratic programs. The intent is to adopt them in the new program.

Sorsa said that the demands regarding private morality were adopted in the program draft with great hesitation. However, the membership wanted to include them, said Sorsa.

The morality regulation is defined as follows in the program draft:

"From the point of view of the movement's credibility it is imperative that no conflict prevails between the personal life-style of the members and the movement's principles."

Sorsa was afraid that such regulations can easily be used as weapons. How a bad life-style is to be punished is not clarified in the program draft.

Sorsa emphasized that the SDP's program of principles now in the making is significantly more international in spirit than the present program.

Sorsa considers that international solidarity will also turn out to be economically profitable for Finland.

Former Party Ideologist Attacks

Helsinki HELSINGIN SANOMAT in Finnish 13 Feb 86 p 9

[Article: "SDP Dissident Bo Ahlfors's Evaluation of Program Draft: 'Birch and Star' Democracy"]

In the opinion of Bo Ahlfors, who participated in the preparation of the document, the draft as the new program of the SDP is typical "birch and star" democracy: it contains a group of good and beautiful issues, but fails to answer essential, "institutionalized" questions.

Researcher Bo Ahlfors, who was one of the SDP's most important ideologists in past years, sat on the committee preparing the program draft for 3 years. The 1984 party congress no longer chose him to be a member of the new work group that continued the work.

Now Ahlfors considers that the new program does not meet those demands so that it could replace the 1952 program. Ahlfors hopes that the party rank and file

will now debate the issue and will decide at the next congress to continue the preparatory work. In the opinion of Ahlfors, there would be nothing dramatic in this. This was the case in 1949 also when the present party program was brought up for acceptance by the party congress.

Ahlfors regrets the fact that the preparation of the program of principles ignores a certain objectionable phenomenon, a growing personality cult in the party. "If the program draft is now connected with the personality involved, the issue will become a matter of prestige." This should not be the case in the opinion of Ahlfors.

In the opinion of Ahlfors, a significant social institution, the SDP, does not in its program draft answer the questions to which answers could be expected.

"The SDP is today a child of the times in that it has become a part of the currently prevailing forceful attitude of egocentricity and of seeking individual happiness and emphasizing the individual's right to determine matters affecting his own fate.

"It seems good and right and so democratic, so democratic," states Ahlfors.

What Will Happen to KOP [National Shareholders Bank]?

However, as an institution the SDP will not occupy itself with the happiness of individual people in the opinion of Ahlfors. "At least not in an important way without depreciating the happiness of people in itself."

Ahlfors emphasizes that as an institution the SDP must answer institutionalized questions.

He cites an example: "The SDP must answer what is to be done with the National Shareholders Bank". The program's answer to this question is extremely general and indefinite in the opinion of Ahlfors.

"It cannot be expected that a lathe operator or a janitor will resolve the problems resulting from the KOP, but the SDP must answer the question as a collective."

As another example of problems in need of an answer Ahlfors mentions the question of the development of parliamentary democracy. "I expected that the program would have analyzed and presented alternatives or expansions to the process which begins when a citizen enters a polling booth and concludes in parliament with articles protecting the minority."

Ahlfors points out that traditionally the SDP has demanded an expansion of state democracy, but the program draft somehow is stuck on the currently fashionable progressive democracy.

In the opinion of Ahlfors, in his evaluation it is not merely a question of the socialist nature of the program, but, to a great degree, its democratic nature.

The economic policy section of the program draft is unconditionally the weakest point in the opinion of Ahlfors. It was watered down even further in the debate by the party committee of the version presented by the committee.

The Communist Party also recently made its own program draft public. In the opinion of Ahlfors it is fruitful to read and compare the future goals of the left-wing parties. "From there it becomes clear what is the present situation of the workers' movement."

Major Newspaper Comments on Draft

Helsinki HELSINGIN SANOMAT in Finnish 13 Feb 86 p 2

[Editorial: "SDP Aspiring to Become Everyone's Party With Its Program"]

[Text] Both left-wing parties are renewing their party program at the same time. Arvo Aalto's SKP [Finnish Communist Party] presented its own program draft last month. Now it is the turn of Kalevi Sorsa's SDP. Both are aiming at considerable renewal and reform.

In its new program the SKP is putting distance between itself and the doctrines of Marx, Engels, and Lenin as well as dissociating itself from historical determinism. Nevertheless, it declares itself to be a "Marxist workers' party". In the SDP's draft Marx is no longer mentioned in any connection. The Social Democratic Party is promising its members complete philosophical freedom. An awareness of social inequality is sufficient as a criterion for membership. The SDP wants to be everyone's party.

The concept of socialism had changed from a fixed economic and social system into just a factor affecting economic life in accordance with socialist principles already in the present program dating from 1952. The new program's socialism is simply a practical action to reduce social inequality. As far as the procedures of socialist policy are concerned, Chairman Sorsa's comment at the press conference is telling: "Experience has demonstrated that there must be room for movement in procedural policy."

The SDP was established at the beginning of the century under conditions in which the working class was poor and insecure and lacking state rights. Today's SDP has been a ruling party in the government for nearly 20 years. The compilers of the party program undeniably have a demanding task in building a logical and ideological bridge from the past to the present and in thoroughly adapting the means to a changed situation.

Since there was a desire to compile the party program from the very beginning for a period of time covering a whole generation in addition to everything else, the conclusion reached was easy to reach: the program draft is ideologically faded, general in content, purposely ambiguous, and difficult for the reader to comprehend. Many words and concepts seem familiar, but, in fact, they have frequently been given a new content. On the other hand, many important values have been reevaluated in an unbiased manner.

The attitude toward the state and the growth of public power is no longer as unqualified as before. The danger of a guardianship state is seen as the reverse side of an increased role for the state. State and public power should be concentrated on the creation and protection of social and other basic services. It should not be saddled with new tasks, but independent initiative of citizens should be encouraged and society should be developed in a dispersed and autonomous direction. How this is to happen remains undefined.

The Social Democrats are ready to recognize that other than basic needs, the needs of the people manifest themselves best through the markets. There should be no attempt to define and satisfy them by centralized leadership. Instead of ownership by the state, emphasis is placed on enterprise ownership and decision-making making power in the hands of the workers without any obligation to any specific model even in this direction.

Nevertheless, not all dreams of nationalization are renounced in the new program. According to the program, state power must, for example, have an opportunity to direct the actions of financial, insurance, and credit institutions in order to accomplish the overall interests of society. The manner in which this can be guaranteed is left completely open.

The program of the ruling party is characterized throughout by an aspiration to please as many as possible and to push away as few as possible. This is reflected even in its attitude toward our defense forces. At one point it says that defense policy is a part of the credibility of security policy. A little later, on the other hand, it is considered that Finland must also be prepared to reduce its own armaments.

'Majority' Communist Paper Comments

Helsinki HELSINGIN SANOMAT in Finnish 14 Feb 86 p 2

[Editorial Roundup]

[Text] KANSAN UUTISET, the chief organ of the SKP and the SKDL [Finnish People's Democratic League], gives a positive evaluation of the SDP's new program of principles.

"The program draft is, of course, reformist, not directed at the revolutionary reform of society. Indeed, no one expected this. The draft can also hardly be considered too radical even though certain points contain some rather radical social thinking.

"In this sense the program draft is, of course, a departure from Forssa's program as well as the Marxist program developed under Oittinen's leadership. But the draft still contains a couple points which can give support even to the argument that Finland's Social Democratic Party continues to be a socialist workers' party."

KANSAN UUTISET points out that in the SDP's program social criticism is tame, a class point of view is lacking, and imperialism has been analyzed in a strangely undirected manner.

"At the same time, the program contains a fashionable argument for the demand of social equality, a lot about what is the common property of the working class, the latter being familiar from the SKP's just completed program draft. For this reason, natural prerequisites exist for an exchange of opinions across party borders.

"And under no circumstances can the Social Democratic Party's program draft be considered a document which would in some manner hinder or prevent cooperation between the various segments of the workers' movement."

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CSO: 3617/72

POLITICAL

FINLAND

FOREIGN MINISTER DISCUSSES HUMAN RIGHTS ROLE IN RELATIONS

Helsinki HELSINGIN SANOMAT in Finnish 16 Feb 86 p 31

[Report on interview with Foreign Minister Paavo Vayrynen by Kyosti Karvonen: "Foreign Policy and 'Detestable' Human Rights"; date and place not given]

[Text] Human rights issues have recently risen to prominence in Finland's official foreign policy. This has gotten fanatic realists to warn us against a populist mood.

Foreign Minister Paavo Vayrynen (Center Party) cautiously in part concurs with the warnings former Economic Commission director and former UN ambassador Max Jakobson has also advanced.

Vayrynen further fears that it is not an easy matter to implement the in itself creditable approach outlined in human rights issues in complex situation.

The foreign minister also criticizes civic organizations and the labor movement's inconsistency in foreign policy matters.

Finland has not, according to Vayrynen, been impartial in its relations with the parties to the Near East conflict. They intend to correct the disparity next month with a foreign minister's visit aimed at Israel, among others.

Signs of an increase in emphasis on human rights issues in Finland's foreign policy have been sought and found in President Mauno Koivisto's speech last summer at the 10th anniversary celebration of the CSCE in Helsinki.

More indications of this were afforded by Foreign Ministry Political Undersecretary of State Klaus Törnudd's speeches at the UN General Assembly and the CSCE human rights conference in Ottawa.

"Security is not the business of nations alone.... In the text of the resolution it is emphasized that individuals living in the participating nations must also be able to experience in their lives a kind of security that is based on respect for human rights and the basic freedoms," Koivisto said last July.

According to Törnudd, human rights constitute "one of the criteria which the Finnish Government takes into account in developing its relations with other

nations and deliberate violations of human rights by some nations give other nations the right to draw their own conclusions and act accordingly."

Chance Occurrence Reaps a Harvest

Foreign Minister Vayrynen calmed down the debate. He referred to the raising of the matter as a chance occurrence that has reaped a harvest since just years ago Finland was a member of the UN Human Rights Committee and human rights issues were very much under consideration at the CSCE.

"Finland was exposed to more situations than usual in which we had to assume a stance on human rights issues and thus also consider our own policy line," Vayrynen said.

"We had to consider the basic question of how a concept of human rights based on Nordic values could be incorporated into a neutrality policy. We surveyed the bounds of the situation and I believe that the political approach that took shape is a good one," he went on.

The foreign minister does not -- notably -- however, 100-percent believe that a human rights policy that deviates, at least to some extent, from the policy pursued in President Urho Kekkonen's time is always the right one.

"How we succeed in operating satisfactorily in practice is a different matter. Situations are often difficult and complex, and it is not easy to make a decision in each individual case, even though the policy is clearcut," Vayrynen said.

The foreign minister is prepared to go even further than that: "I am not at all claiming that all of the positions Finland adopts or its statements on human rights issues are unquestionably correct because the field of operations is a difficult one. I am not going to say that we are always completely successful."

Human Rights Populism on the Horizon

With the aid of quotations from Kekkonen, in January Jakobson advanced the opinion in UUSI SUOMI that human rights populism is threatening the basic values of our neutrality policy.

Vayrynen does not scrap Jakobson's arguments outright -- but he does feel that the problem is indeed on the horizon.

"We cannot deny that this could easily happen. The government must have a consistent policy and it must not give in to public opinion, not even on such -- should I say -- less important issues. If a situation arises in which public opinion emotionally demands that a given position be adopted, we should not necessarily go with the current," Vayrynen said.

[Question] In terms of human rights policy, is Urho Kekkonen's maxim that friends should be sought from nearby and enemies from afar valid?

[Answer] Kekkonen's maxim is to be taken as a pointed remark to the effect that, if there have to be enemies somewhere, it's better for them to be far away. However, we don't want to make enemies anywhere. In accordance with our neutrality policy, we start with the premise that we will not intervene in the conflicts of interests of the superpowers and will try to maintain good relations with all countries.

We act with restraint in conflict situations. We say, of course, that we support human rights causes, but in the positions we adopt and in our votes we observe our neutrality policy and generally appear in the role of a doctor or an architect, but not as a judge.

In his foreign policy liturgy, with the title of rather new architect Vayrynen alluded to Finland's efforts to improve the UN machinery which, according to the foreign minister, should handle human rights "with a positive approach."

[Question] Can Finland apply its general concern for human rights as a criticism of some specific country?

[Answer] We try to avoid that. A human rights policy must not be selective; rather, the different countries should be handled with the same yardstick.

In terms of international human rights policy, some countries unfortunately often come under the watchful eye of others, even though everyone knows that other countries have the same kinds of problems. Finland must avoid acting unjustly toward some country the conditions in which are no worse or better than in many another country," Vayrynen put it.

[Question] Does Finland's own status place demands on the selectivity of its human rights policy?

[Answer] We try to avoid selectivity and try to deal with the different countries in a consistent fashion.

[Question] Is that possible?

[Answer] It is as possible or impossible for Finland as it is for any country whatsoever. We must honestly say that many countries do not even try to avoid selectivity, rather selecting those they criticize on political grounds. This style does not suit Finland.

[Question] Are both superpower camps selective?

[Answer] This is generally a question of just how the superpowers align themselves and of the conflict between them.

[Question] Is it desirable for the parties, the labor movement and the civic organizations to go farther than official foreign policy?

[Answer] In a free country one has the right to act as one feels it is best to act. It is, however, important for civic organizations and citizens too to strive for consistency in their opinions and actions.

[Question] Is consistency limping?

[Answer] In my opinion, the case of Chile is a useful example. If we view the lack of conditions favorable to human rights and the lack of democracy in Chile as being such that we cannot import anything into Finland from Chile -- if we are consistent -- there are also many other countries to which we ought to react in the same way.

[Question] So Outokumpu could be allowed to go to Chile to mine copper?

[Answer] I am merely saying that relations between Finland and Chile deviate from the policy of the other Nordic countries. They have diplomatic representation in Chile and engage in a great deal of economic cooperation.

Consistency Is Limping in the Near East

The government's own consistency in foreign policy has been limping in terms of the Near East policy that has so far been pursued, one in which Israel has clearly been on the sidelines.

The roots of this inconsistency go back to the foreign policy line of Kekkonen's lengthy presidency, a policy that neglected the maintenance of summit-level contacts with Israel.

The game of hide-and-seek with Israel of the Kekkonen era came to a head in 1978 when a bunch of biased hosts welcomed the late foreign minister, Moshe Dayan.

Dayan did not get to meet with either President Kekkonen, who was "salmon fishing," or Prime Minister Kalevi Sorsa (Social Democrat).

During an interpellation in Parliament, Foreign Minister Vayrynen, who was one of the hosts, explained that Dayan's meetings with Kekkonen and leftist politicians did not take place because of combinations of circumstances.

Foreign policy leaders are now repairing the aftereffects. This spring Vayrynen will make official visits to the countries of the Near East, one of which will be aimed at Israel.

Patching up relations does not, however, mean that Finland will surrender its right to criticize Israel's policies if need be. This is what happened in 1982, for example, when at the United Nations Finland joined in a resolution sharply criticizing Israel's military expedition into Lebanon -- deviating from the position of the other Nordic countries.

[Question] Was Israel a black hole for earlier foreign policy leaders, one which we are now plugging?

[Answer] There certainly has been a bit of inconsistency in Finland's foreign policy in that respect. We have had lots of contacts with the Arab countries but, on the other hand, less with Israel.

[Question] What caused this inconsistency?

[Answer] I don't really know what caused it. The situation has not been satisfactory and precisely for this reason we have organized official visits by the foreign minister for this spring which will include all the actual parties to the Near East conflict.

Vayrynen did not admit that the visit to Israel would in itself mean an adjustment of our earlier policy.

The visit will gain reinforcement of the impartiality required by our neutrality policy from the fact that Vayrynen will with the same inconvenience also visit Syria, Jordan and Lebanon as well if the situation permits. The foreign minister's Near East mapping trip began as early as last month with Egypt.

[Question] While our policy has not changed, isn't maintenance of contact with Israel at least becoming more active as compared with how it was before?

[Answer] Certainly the visit to Israel will mean activation and will be a definite change. It means that the somewhat abnormal situation with regard to mutual relations between Israel and Finland will be improved by my reciprocating the visit Foreign Minister Dayan in his time made to Finland.

Internationalization Began Late

High-level political visits also began late to Africa, the Far East and South America, with which Finland has noisily made contacts these past few years -- hopelessly behind its rival countries.

[Question] Is Finland's foreign policy acquiring new focal point directions and is Finland now in general correcting its former negligence?

[Answer] It is understandable that after the war issues involving neighboring areas, relations with the Soviet Union and in general relations with neighboring countries for a very long time completely dominated Finland's foreign policy. They are still the overwhelmingly most important foreign policy issues. However, Finland has great need of also developing contacts and cooperation with countries outside of Europe.

[Question] Is Finland moving behind the times?

[Answer] To be sure, Finland began this sort of internationalization rather late; acting in this fashion at an even earlier point would have been warranted. But better late than never.

We must, however, bear in mind that relations with neighboring countries, relations with both the East and the West, always take precedence. This does

not prevent us from expanding our sphere of action when obvious national interests require it and when we have the necessary resources to do so.

It was impossible for Finland to have closer relations with China as long as Soviet-Chinese relations were frozen. When they little by little began to thaw, Finland too was able to move and reciprocate China's many ministerial visits.

Only a couple of years ago, the cementing of relations got to the point of acquiring farcical features when Chinese Premier Zhao Ziyang made a long detour through Finland on a visit directed to the Nordic countries.

According to Vayrynen, it would have been embarrassing to make high-level visits when relations between Moscow and Beijing were nearly severed.

"We must remember that China is a superpower and a permanent member of the UN Security Council. The fact that no high-level visits were made from Finland before is a substantial shortcoming when we consider the visits to Finland made from China," Vayrynen said. Relations will take on a new dimension in the fall when Prime Minister Sorsa goes to China for an official visit. The high-level visit channel was opened in 1984 when Vayrynen made an official foreign minister visit there.

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CSO: 3617/73

POLITICAL

FINLAND

SLIGHT DECLINE IN VOTER SUPPORT FOR KOIVISTO AS CANDIDATE

Helsinki HELSINGIN SANOMAT in Finnish 23 Feb 86 p 9

[Article: "Presidential Election Survey: 58 Percent Would Now Vote for Koivisto"]

[Text] President Mauno Koivisto's popularity has fallen somewhat, according to the most recent opinion poll. Fifty-eight percent of those who responded to a survey by the M Information Center would vote for Koivisto for president if the elections were held now. The survey was conducted for SAVON SANOMAT.

In an M Information Center survey published last November, Koivisto's support was 65 percent. At the same time, Koivisto received the backing of 71 percent in a Finnish Gallup.

The most recent poll was conducted in late January and early February: in it 984 Finns over the age of 18 were interviewed. They were asked whom they would vote for if the presidential elections were held today in this country.

The interviewer offered a choice of 11 names. They were Mauno Koivisto, Paavo Vayrynen, Harri Holkeri, Kalevi Kivisto, Pirkko Tyolajarvi, Kalevi Sorsa, Ilkka Suominen, Johannes Virolainen, Jan-Magnus Jansson, Esko Almgren, and Veikko Vennamo.

Foreign Affairs Minister Vayrynen (Center Party) was second in popularity after Koivisto among the respondents. Eight percent of the respondents would have voted for him. Bank director Harri Holkeri (Conservative Party) received 7 percent of the support, Governor Kalevi Kivisto 5 percent, and Governor Pirkko Tyolajarvi (Social Democratic Party) 4 percent. Three percent of the respondents would have voted for Prime Minister Kalevi Sorsa (Social Democratic Party).

The interviewers also asked the respondents what opinion they would have if Koivisto were not a candidate. In that case, 17 percent of the respondents would vote for Vayrynen. Sorsa came in second with 16 percent of the support. Thirteen percent of the respondents would vote for Kivisto, 12 percent for both Holkeri and Tyolajarvi if Koivisto were not involved.

The survey also made clear the opinion which backers of different parties had of the candidates in the event Koivisto was not a candidate. Forty-eight percent of the Center Party supporters would vote for Vayrynen, 8 percent for Sorsa, and the same percentage for Kivisto.

Thirty-seven percent of the respondents who belong to the Social Democratic Party would cast their vote for Sorsa if Koivisto were not involved. Eighteen percent of the respondents who belong to the Social Democratic Party would vote for Tyolajarvi, 13 percent for Kivisto, and 10 percent for Vayrynen.

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POLITICAL

FINLAND

UNION LEADER: STALINISTS NEAR 'DEAD END' IN LABOR MOVEMENT

Helsinki HELSINGIN SANOMAT in Finnish 17 Feb 86 p 10

[Text] The Stalinist Communists may be getting into a dead end in the labor movement. This was the opinion of Olavi Hanninen, the second chairman of SAK [Central Federation of Finnish Trade Unions] and a member of the Finnish Communist Party (SKP) Politburo, at an SKP Central Committee meeting on Sunday.

Hanninen criticized the so-called TIEDONANTAJA faction for attempting to increase its own support by disengaging itself from the objectives of the SAK People's Democrats in wage negotiations. He noted that the Stalinists do not attach importance to any other objectives than wage hikes.

"The TIEDONANTAJA faction's policy relies on the old notions of obtaining the largest possible raises of nominal wages. Riding on these notions, they are trying to gain worker support for the TIEDONANTAJA movement. But it is also possible that the movement is isolating itself through this campaign and is remaining outside the labor movement's united struggle," Hanninen said.

According to Hanninen, the consequences could be far-reaching. He alluded to the fact that two members of the Metalworkers Union union committee were recently excluded from the People's Democratic faction because they violated faction resolutions.

Same Situation on SAK Executive Committee

"They will be facing the same kind of situation on the SAK executive committee next Saturday since the committee's 11 TIEDONANTAJA members voted against the resolution of the People's Democratic faction of the executive committee at the last meeting," Hanninen said.

In the SAK administration the People's Democrats have been advocating bigger wage hikes and a higher minimum wage figure than are now included in federation demands. The People's Democrats have, nevertheless, remained in the common front with the Social Democrats.

"The differences over objectives might have led to a shift to union negotiations. On the other hand, we suspect that primarily only wage settlements would come

of union agreements and in them we would probably not obtain a shorter work week and other important qualitative objectives," Hanninen said.

The Central Committee meeting will be continued on Monday. At that time first secretary Esko Vainionpaa will examine the needs for improving the SKP's political effort.

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POLITICAL

GREECE

PREFERENCE FOR U.S. VERSUS GREEK ARMORED VEHICLES QUESTIONS

Athens KYRIAKATIKI ELEVTHEROTYPIA in Greek 19 Jan 86 p 11

[Text] At the Pentagon they Buy American

Buy Greek (products), we hear every day and in all accents. But the exhortation, apparently, has not reached the National Defense Ministry which always prefers to buy American, even when there is no absolute need to do so.

Thus, this week, final decisions are to be taken by the committee responsible for the supply of a large number of armored vehicles for the Greek Army. Candidate vehicles are the "Leonidas" (Armored Personnel Carrier), which is assembled in Greece by the national company Steyr-Hellas, SA and the "imported" M 113, which is manufactured in the United States. There are some indications that many members of the responsible committee prefer the American armored vehicle, despite the fact that:

Since 1979 the Greek state has acquired 60 percent of the Steyr company, making it essentially a state enterprise.

The Steyr vehicle, "Leonidas," has an added value in Greece in the order of 30 percent, which will soon reach 60 percent.

In tests of the two vehicles, Steyr's proved to be better, having accumulated a higher score than the corresponding American vehicle.

Steyr this year has suffered losses of 900 million drachmae and, if not bolstered by a significant manufacturing program, will close down with the result that 1,000 of its workers will be unemployed and all subcontractors who work with Steyr will face problems.

Why, then, do some in the Greek Pentagon insist on buying American?

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POLITICAL

GREECE

PROBLEMS INVOLVED IN VAUNTED PASOK 'SELF-RELIANCE'

Athens KYRIAKATIKI ELEVTHEROTYPIA in Greek 19 Jan 86 p 8

[Article by George Massavetas: "Let Carthage Be Destroyed"]

[Text] A democracy does not work smoothly, and is not particularly healthy in a country which continuously seeks "messiahs," and searches for "strong personalities" and "charismatic leaders."

In a country whose citizens are ready to die for one leader. Citizens who are delighted when their chosen one is high-handed; who abuse their opponent when... he is down to earth and stands on his feet--although, perhaps, they feel his feet are better suited to walk on corpses.

Citizens who are like weak prostitutes in need of a "protector." The prescription being a man who (as the popular song says) "will love me and beat me." One who to the point of scandal will love "his own," those who lick up to him, who go along with him, his spineless flatterers, those willing to carry out his every wish whether it be proper or improper. One who will "beat" those who dare to demand respect for due process and different points of view.

The publisher of our newspaper says jokingly--I hope--that I have become monotonous, like Cato the Elder, who closed every speech--whether it dealt with grains, or taxation--with the phrase "delede Carthagum." Carthage must be destroyed. He does so because I so often insist on coming back to the election law issue. And he is justified in using the term "monotonous." But that issue is linked directly to the unhealthy state of our political life.

Today Mr. Papandreou wants to make "openings." He needs to create different climate. But he can't. He is a prisoner of his self-reliance and his all-embracing power. He is a re-baptized, charismatic messiah, who, however, cannot perform...miracles. And the country, at this time, needs a "miracle."

There is no question of his relying on the leading opposition party. The fanaticism and party egoism in each of the two sides would not permit this. From the top party leadership to the lowest level of party supporters. The New Democracy Party is currently living on the dream of a collapse, which will not be the collapse of the government, but of the country. So that its own liberal "messiah" will come to save us. Mr. Stefanopoulos, fearful lest he be accused

of being "the tail of PASOK," just as the KKE and PASOK accused the KKE (Internal) of being "the tail of the Right," is rushing to mortgage the future with an announcement that he will never cooperate with PASOK.

Mr. Papandreou himself does not wish to rely on the KKE and the other piece of the Left, which perhaps now will acquire its own identity and name. He wants to convince foreigners, more than Greeks, that he is a centrist idealist socialist, and well, let us not ask the man to say that he is a social-democrat--and not a leftist Third-World Marxist.

A strong Prime Minister, not having the possibility to surround himself with a cooperative, and above all, a working national front to lead the country out of the crisis, is obliged to continuously stir his own political pot. And those who yesterday were cut off as being "conservatives," are now being invited back to join in to see what can be done. The idea being to bring them into the government to give it "a new face." But, as they themselves have emphasized to the Prime Minister, the issue is not one of changing people. First the goals and methods must be clarified, and outlined persuasively, and on the strength of this, people will come.

But as the problems become more acute, the Prime Minister necessarily will become more conscious of the fact that he cannot seek panaceas prepared in his party's pot. That one party alone cannot persuade a large segment of the people to work. To work in the schools, in the offices where there exists the system of permanent staffing with automatic seniority and payscales. To work in the fields and not count only how much one will get if the crop is buried under. Because, you will excuse me for saying, people work in the factories and in the shops.

Such an effort by the government will need wider support, no matter how self-reliant the government is. Therefore I repeat: Deleda...the reinforced proportional [electoral system].

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POLITICAL

GREECE

SOVIETS' 'ARROGANT' BEHAVIOR VIS-A-VIS AUTHORITIES CRITICIZED

Athens TO VIMA in Greek 19 Jan 86 p 48

[Text] A colony, and...of the Russians?!

The Americans were not enough for us and lately...the Soviets have "descended" on us too! The Americans in days gone by when they were on their high horse treated us like a colony. Now these others (the Soviets) are manifesting some peculiar attitudes!!

Thus, on Friday when Mr. Logginov was due to arrive, the Soviets, led by their charge d'affaires Pushkin (the Soviet Ambassador left a long time ago) took over not only the VIP lounge at the Eastern airport, but the runway as well! Taking the attitude "that's how I want it," they brought in a Soviet diplomatic official vehicle to patrol the runways!

The person reasonable for airport security repeatedly approached the Soviets telling them that for security reasons civilian vehicles are prohibited from driving on the tarmac. But they turned a deaf ear! The vehicle, bearing "Foreign Mission" (XA) license plates, insisted on driving among the security and police vans, even up alongside a TWA "jumbo" jet.

Mr. Logginov arrived after a delay of one hour. The Soviets came out en masse to greet him (accompanied by one Greek, Mr. Miliarexis, representing the Foreign Ministry), and the Soviet Deputy Minister asked "is my passport in order." It was in order (Mr. Pushkin's subordinates here had worked on this) and then Mr. Logginov disclosed: "Now here in Greece I am ready for everything"! (It is not known what he meant).

He was then told the time of his meeting with the Prime Minister and he departed in a bulletproof Mercedes (you see how the Soviets are?) accompanied by two motorcyclists, and the Soviet vehicle which earlier had been driving around the runways.

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POLITICAL

GREECE

BRIEFS

DISAPPROVAL OF U.S. AMBASSADOR'S ACTIVITIES--U.S. Ambassador Bob Keeley has some curious ideas, or has received some strange orders about the way in which he must carry out his mission in our country. There is no other explanation regarding his visit to the Attiki monarch. What did he want to find out? Had he not previously visited his friend, the minister of interior, who is also the monarch's political superior? Did Mr Keeley forget that 1986 is the year for municipal elections? In that case, why is he interfering where he should not? It seems that whatever he said to the Foreign Affairs Committee of the Congress at the time of his appointment as ambassador to Greece last July has deeply influenced him... He would otherwise have avoided such behavior. [Text] [Athens POLITIKA THEMATA in Greek 7-13 Feb 86 p 8]

CSO: 3521/96

POLITICAL

ITALY

ARFE EXAMINES PCI-PSI RELATIONS

Rome L'UNITA in Italian 26 Jan 86 Supplement p 11

[Article by Gaetano Arfe: "The Complex PCI-PSI Relations Yesterday, Today. And Tomorrow?"; first paragraph is L'UNITA introduction]

[Text] Both parties' reasons (and mistakes). A problem that has an aspect related to the present political situation, but that also has a historic and decisive dimension from an Italian as well as European standpoint.

For many generations of Socialist militants, their relation with the Communists has been a problem involving the sphere of ideology as well as that of policy. The reason lies in the fact that both believed--and as far as I myself am concerned, with some few resigned modernizations, I still believe--their mission to be that of fighting for what today is being demurely and politely euphemized as sallying forth from capitalism. Deep though dissension between us might have been, therefore--and in certain phases it reached the stage of brawls--the Communists, scions of our same stock, remained for us comrades in faith as well as in arms.

The period in which our clash was the most disruptive was the long decennium that followed the split that occurred in Livorno, the split that was marked by the "social-fascism" thesis--the thesis, that is, of the equivalence between socialism and fascism from the standpoint of the revolutionary struggle.

It took the rise of Hitler to power to alert the Communist International to the necessity of a policy specifically directed against fascism. That is what brought about the signing by the Socialists and the Communists, in 1934, of their first unity-of-action pact.

The unitary policy road, however, remained a rough and tortuous one. Put to the test in Spain, that policy went into crisis in 1939 in relation to the Non-Aggression Pact between the Soviet Union and Nazi Germany. Revived in 1941, it contributed importantly to putting an imprint on the Resistance movement. And in 1947, it provoked the split-up of the Socialist Party.

The Socialists had reduced unitary action by then to a rosily optimistic view of the international situation. The Laborites had beaten Churchill, the man who had mustered his people's will to fight in their darkest hour and had led them to victory. Stalin had shown that his power was capable of withstanding the most acid of tests; the nightmare of encirclement and of invasion had ended; and the road to democratization of the regime was now open. Friends of London and of Moscow, and accredited by the vote of 2 June which made the Socialist Party the leading party of the Left, the Socialists considered themselves authorized to assume a lead role in the struggle for consolidation of the Republic, for the building of a democracy open to socialism, for a solidary cooperation among the European peoples, from the Atlantic to the Urals.

But events took a different turn. A few months after its electoral success, the Socialist Party split apart, and the party was born that would later be called the Social Democratic Party. The Cold War made its presence felt. Socialists and Communists found themselves excluded from the government. But the Socialist leadership had no doubts: The party's position in the international alignment was with the homeland of socialism; domestically, it was aligned with the majority within the factory and farm workers movement and with the militant anti-Fascist movement. Nenni wrote: "The Red Stars of the Kremlin shine for us as well."

The ways of the two parties began to diverge after the 20th Congress in Moscow. In 1944, Nenni had written: "Until such time as the October Revolution has completed its historic cycle, the principle of Socialist autonomy is condemned to becoming involved in reactionism or extremism." In 1956, Nenni saw that historic cycle closed: "Red October has lost its 'driving force.'"

The polemic between Socialists and Communists was open-ended, but the unitary fabric created by history was still intact. Its threads were those of their common ideologies, the experience of hard struggles waged on a common front, cooperative efforts that were still active, and personal relationships of esteem, loyalty and friendship that were the bonds among so many militants and leaders.

Today, that unitary fabric has become frayed to the point where, politically, it is irrelevant.

Looking back, the blames attributable to the Communists are not of recent origin. They stem from the heavy-handedly hegemonic manner in which the Communists implemented unity of action in its time; from their having eluded, if not rejected, beginning in 1956, all debate on the new issues of unity; and from the preference accorded by them to the ambiguities and contradictions of the "historic compromise," in their views of the alternative proposed by the Socialists--an alternative proposed in terms that were vague, and perhaps even over-ambitious, but that could have taken on form and force if we Socialists had not been left stranded in our zealous search for new approaches valid for all.

Today, the situation, on both sides, has reached a critical stage.

Stubbornly and adventurously, Craxi has set out in search of new approaches, but the search has proven quite a bit more arduous than had been expected. His effort to build a new political instrument suited to the times has stalled at the demolition stage. What has come out of it, for the time being, is a political formation characterized by rigid hierarchies, fluid institutions, and a gregarious base unmoored from tradition, that borrows its ideological motivations indiscriminately from all sides. And this has had the effect of considerably reducing its potential for electoral expansion, even during its most favorable moments, and of adversely affecting the quality of its governmental effort. Its participation at the highest level of responsibility in a centrist Government, even though conducted with tactical skill and in a privateering spirit, finds its insurmountable limits in the real ratio of forces.

Socialist autonomy's field of maneuverability is thus growing narrower. A recovery is conceivable, but only under a shakeup involving the Italian Left in its entirety.

The Socialists' deflected renewal is paralleled by the Communists' historic lag in their search for new approaches.

I give them credit for having, this time, addressed the problem with a collective, political and, I would even say, ethical dedication that is unprecedented. There is no lack of concessions to the doctrinarianism of times past, yieldings to the political formulism of Montecitorio and its surroundings, and even touches of timidity and candor, but on the whole we find ourselves in the presence of a meritorious effort of appreciation and solidarity, in the general interest of our country's democracy.

Positive, in my opinion, is the fact, among all others, that the problem of relations with the socialists has been given a center-stage position in the debate.

As an old Socialist, I have but one comment to offer in this regard. The problem has one aspect that is related to the current political situation and its immediate outlook, to what can be done here and now, and in the immediate future, but it also has--hence these summary references to the past--a historic dimension, which is the decisive one. There is a problem of dialogue and of political relations with Italian Socialism's official representatives; and on a vaster scale--the Italian and European one--a problem of dialogue and of ideological and political relations with the Socialist world as a whole, with its tradition, and with its forces, to a considerable extent dispersed today and not represented, or potentially Socialist but not interpreted by the historic parties of the movement, and thus deprived of channels of participation in the debate of ideas, in the drawing up of proposals, and in the common action. There is a problem of

dialogue, of exchange of views, of cooperation, of permanent organic, institutionalized relations with the entire European Socialist movement.

It is not a matter of abusively trespassing on the provinces of others. It is a matter of acting in the common cause, of contributing to the breaking down of barriers that history has created, but that history itself has made anachronistic and surmountable today.

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POLITICAL

ITALY

COPPOLA REVIEWS PCI-DC RELATIONS

Rome L'UNITA in Italian 26 Jan 86 Supplement p 13

[Article by Aniello Coppola: "The Paradox With Respect to Catholics and DC"; first paragraph is L'UNITA introduction]

[Text] Constant attention is a Herculean task from now on. The salient points of our policy do not always coincide with congressional schedules. In four decades, we are not the only ones who have changed.

To begin with, let us take note of a paradox: The salient moments of the policy the PCI [Italian Communist Party] has pursued with respect to the Catholic world and the DC [Christian Democratic Party] have not coincided with the PCI's congresses. The congressional assemblies have discussed, enhanced and ratified the focal points of this strategy, but its most important formulations have been unveiled in other settings. Palmiro Togliatti did not await the 5th Congress (1945), the first since recovering our legality, to address the DC and the Catholic world with a language that had never been used by the workers movement, and to affirm the need of an understanding among the major cultural and political components of the country. He spoke of this immediately upon his reentry from exile. Togliatti launched his 1954 appeal for common action against the nuclear danger during a meeting of the Central Committee. And his more imaginative idea of a possible "reciprocal recognition of values" with forces and movements of the Catholic area was launched in his 1963 speech in Bergamo. The same thing occurred, in a more recent phase, with respect to the historic compromise, about which Enrico Berlinguer wrote in his three famous RINASCITA articles in the fall of 1973.

It was not by accident that the two great Communist leaders did not await the occasions of congresses to disclose the first and most relevant formulation of such essential milestones of policy. The first reason lies in the function of the secretary general. In our party, the secretary general's status has never been that of a "first among equals." Not even with Luigi Longo, who used to make a point of defining himself in this way. Thus, it is the charismatic power had at the time of investiture or acquired shortly thereafter that has made it possible for the secretaries of the PCI to put aside considerations of statutory meetings and to launch pronouncements, shifts and innovation of such import as to put an indelible stamp on Italian Communist policy.

But what could be termed this "ex-congressional paradox" also marks another peculiarity of the PCI: Its attention to the Catholic question and to the problem of the DC is a constant, a "continuum," a fact that characterizes an entire strategy. Only to two other major options--the democratic and the national--can the same primary and qualifying value be attributed. The genetic factors that make of the PCI a force that does not conform with any other component of the international workers movement are precisely these three. And they are tightly interlaced and interdependent. The party's choice of the democratic way and of the characterization of the party as "Italian," as a party that did not deny its Third-Internationalist root, embodied in the historical concreteness of those choices the cultural and political acquisition of the Catholic and Christian Democratic reality.

The process was a long one; it was nonlinear, arduous and conditioned by external and internal contradictions, as is clear from the records of the 12 congresses held over the past 40 years, and also from the evolution undergone by its interlocutors. It is not a manifestation of hindsight to agree, tens of years later, that our first openings to the Catholic world had two shortcomings: They relied too heavily on the contradiction between Christian consciousness and the values of capitalistic society, and they neglected to evaluate to the fullest the propulsive potential acquired by the Christian Democratic bloc as a result of the Liberal-Democratic choice made by De Gasperi to the detriment, first and foremost, of "popular" reformism. But Communist policy was severely conditioned at that time by international constraints, and it therefore became necessary to wait a long time to see translated into a political and ideological choice the affirmation of the universal and irrenounceable value of political democracy in and as of itself, putting aside all consideration of the socioeconomic system.

The eve of a congress provides an opportunity for comment and evaluation of results. But woe betides us if we forget that, in 40 years, not only the PCI has changed. There are more differences between the Catholic Church of Pius XII--that of the excommunication of the Communists, of the "baschi verdi" [green berets], and of Luigi Gedda--and on the other hand that of John XXIII, Paul VI, and Pope Wojtyla, than between the PCI of Togliatti and that of Natta. And the same can be said of the DC of De Gasperi and that of Moro, to cite only the two most authoritative leaders of that party.

Through an evolution articulated independently of the occurrence of congresses, the PCI refines its analysis of its major adversary and interlocutor, and from time to time burns the dregs of schematisms that long went hand in hand with Gramsci's discourse on the "Vatican question." In any case, it was the Congress of 1945 that achieved the first major milestone on the road to laicization of the party, of a party that was still imbued with a sense of fideism and of missionization, by introducing in its by-laws the provision that enables enrollment on the basis of mere subscription to the party platform, independently of the individual member's religious or philosophical ideas.

Since then, as has been said, it has been almost impossible to tie successive phases of the PCI's development of this theme in with congressional dates. On the other hand, periodization is, after all, but the most contrived of approaches to a historical reconstruction. At precisely what date, for example, can one ever possibly place the overcoming of anticlericalism and of sectarian "minoritism," two evils that had stunted the infancy and adolescence of the Italian workers movement? And to come to the point of our immediate problem, at what precise date in the political calendar could one possibly enter the start of the tendency--a tendency that can hardly be denied--to transform the dialectic with the Catholic movement into more of a diplomatic relation than a political one? This tendency made us perceive as unpredictable surprises Fanfani's "sanfedista" turning of the screw on the issue of the indissolubility of marriage ["sanfedista" is a reference to Cardinal Fabbrizio Ruffo's "Holy Faith" movement which restored the Kingdom of Naples' Bourbon monarchy in 1799] and the resounding successes of the referendums on divorce and the legalization of abortion.

And why on earth, at the very time when Aldo Moro's cautious steps toward the "Third Phase"--that is, toward the supersession of the "conventio ad excludendum" of the Communists--appeared close to achieving the PCI's long-sought aim, was the unleashing of terrorism's murderous rejective action possible?

The DC was more "catholic"--that is, more imbued with religious values--during the De Gasperi years than it is today, since the Doroteo faction's "inquinamento" [contamination], since the Church's distancing of itself, since the "dissenting Catholics" movement, and since the rise of Comunione e Liberazione. And even then, once the brief parenthesis of national unity governments was closed, its religious component proved incapable of channeling the innovative and active initiatives within the Catholic world in directions other than centrist and conservative ones. Why, then, this change? How much of this trend of events is attributable to our underestimation of the discriminative and propulsive force the identifying of anticommunism with freedom has had as a compelling idea within the Catholic world?

These questions, too, mark the PCI's long trek over the terrain of that institution peculiar to the Italian political society and known as the DC.

At a time when the choice of the democratic alternative as a policy line would appear to shift the Catholic question and its political specification--namely, the Christian Democratic problem--to a secondary place, at least two de facto givens make it advisable to address anew its objective importance and its present topical interest. The first of these is the recuperative power the Catholic party has shown since its momentous crisis of the 1970's. And the second is its unchanged ability to transform itself and adapt to the new, in an uninterrupted process of osmosis with civil society and the Catholic world.

The Italy we seek to change is, in the final analysis, the projection of this party, of the forces it is capable of organizing, of its leadership and its method of operation. The interaction of the vitality and cankerous quality that characterize the corporative degeneration of her society and the disintegration of the state is the product of the system "invented" by the DC toward the end of the 1940's. Even if the ratio of forces that continues to make the DC the kingpin of the Italian political system were to change (any symptoms of such change, however, are not in the offing), this Italy of ours has the vices and the virtues of her strongest and most stable party. And the political strength of that party is such, at least in the sphere of government and the administration of public affairs, as to have been able to reduce the party's competitors to the status of imitators.

Will a congress be sufficient to address an issue of such magnitude?

9399

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POLITICAL

ITALY

PCI'S INGRAO OPPOSES THESES FOR 17TH CONGRESS

Rome LA REPUBBLICA in Italian 15 Nov 85 p 4

[Article: "Work of the Committee of the 77: Disagreement on Methods Between the Leader of the Left and the Party's Secretariat"]

[Text] Rome - Once again Pietro Ingrao has said no. Congresses are there to receive suggestions from the party members and not to issue directions from the top. And again: debates on theses (proposals) should not be made in order to ratify them but in order to improve them.

In view of the 17th Congress, the core of the debate was reached with this disagreement between the leader of the Communist Left and the Party's Secretariat. It is 9 o'clock in the morning when the party leadership cars unload the Communist leaders at the entrance of the headquarters in Via delle Botteghe Oscure. A white Alfetta, the only one with a car phone, for Natta. A Ritmo (car) for Occhetto. Zangheri arrives in a Regata driven by a chauffeur. Napolitano in a white 131 (model) that is somewhat up in age.

It is the usual ritual, the scene which is repeated every time the top level people of the PCI are called together to make important decisions. Today it is in order to definitely launch the "theses" document which will be the basis for the Spring Congress. In practice, it is a passport which has all the necessary outlines and plan suggestions in order to emerge from the current crisis and, possibly (to use a very fashionable expression) to "reenter the game".

The task assigned to a maxi-committee consisting of 77 leaders (and, therefore, called "of the 77") is a very difficult one, since its scope and member representation appear to be middle of the road between the party leadership and the central committee.

At the very beginning the debate became quite animated in this enclave, which jealously preserves its secretive nature but is ready to receive any signal coming from the outside (including Socialist openings).

To begin with, the methodology, (that is to say the norm of internal democracy) created the first cause for disagreement between Ingrao and the Secretariat because of a preliminary, but by no means secondary, matter. In essence, the Secretariat maintained that the "theses" were the only document which the pre-congresses and the national congress would have to discuss and

decide on. Ingrao, instead, confirmed his positions: 1) maximum guarantees for the party members' opinions, and 2) the possibility for everyone to discuss everything in a truly open congress. The disagreement which arose in the "proposal" stage of the document has remained unresolved. Just the same, the echo of this controversy is an indication of a first sign of disagreement among the commissars.

Yesterday, the "77" shut themselves in the reception room of the central committee located on the fifth floor of the building and began examination of the document. A large number of members signed up to speak, and many amendments are expected.

That the theses had a "cold" reception by many commissars is nothing new. Some complain of their extreme length, the pretension of omni-coverage, the unnecessary meticulousness of the proposals to the point of making it look more like a propaganda document than a platform for the extraordinary congress.

However, the real issue at the heart of the debate lies in the political proposal of the alternative made possible, as they say, by the signs sent out by the PSI. The Communist answer was an indication of a program government.

This proposal is intended to be compared to the other one, drawn up by Ingrao, for a "constituent government", a government with goals, that is to say, one with a well-defined purpose: to carry out institutional reforms.

During the last few days, Ingrao himself has stated that the "constituent" government, i.e., the government of institutional reform, can be a model for the program government. However, the hurdle of "alliances" has to be overcome; that is to say, the hurdle of relationships with the PSI. The theses proposed at the debate of the "77" seem to receive Craxi's ouvertures favorably. Occhetto, who is one of the document's coordinators, has spoken of a program government which recognizes PSI's role as a central "hinge". One of the proposed objections is: would the DC ever accept a position which would, in some way, be subordinate? Ingrao's proposal, on the other hand, does not seem to be granting privileges to any of the allies.

This, then, is what is under discussion at the Botteghe Oscure, but the debate could deteriorate by Saturday morning.

12521
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POLITICAL

ITALY

PSDI'S NICOLAZZI RULES OUT MERGER WITH PSI

Milan IL GIORNALE in Italian 14 Nov 85 p 1, 2

[Interview with IL GIORNALE: "I Don't See Pannella as Minister"; date and place unspecified; first paragraph is IL GIORNALE's summary headlines]

[Text] Those who want the radicals to remain as they are now cannot wish for them to become part of the government. Instead I would welcome a majority of six which would also include the radicals. We are open to a constructive dialog with the Communists, but not more than that. During the "Lauro crisis", we worked toward rebuilding the five-party system because the only other alternative would be early election.

PSI's vice-secretary Marcelli's proposal for a union of Socialist forces met with uncertainty on the part of PSDI. Secretary Franco Nicolazzi, who has been in office for a month, expressed his doubts on the usefulness of such an operation in an interview with IL GIORNALE. He explains that the PSDI would, in fact, end up playing second fiddle to the PSI. On the other hand, he explains, history has proven that these "coalitions" are doomed in elections. Even Minister Pannella's proposal met with some suspicions. As far as the PCI is concerned, Nicolazzi recognizes that an evolution is taking place in the Communist Party. However, he adds, "the conditions are not there to form a Leftist alternative with this PCI as it stands today". In referring to the government hot spot, the crisis of the "Achille Lauro" case, the Social-Democratic secretary claims for himself the use of "moderation and firmness" in relaunching the five-party government against the temptations to restrict its make-up.

Newly nominated secretary of the PSDI, even though he has a full ministerial workload, Franco Nicolazzi has found himself at the helm of his party in the eye of the cyclone which upset the government in the "Lauro case". He has maneuvered ably in this difficult situation, even though some complained that he was getting excessively close to the positions taken by the Prime Minister. This [they said] would weaken the Social-Democratic image, especially when compared to the "I differ" of the Liberals and the Atlantic flag waving of the Republicans.

[Question] Is the new secretariat of the PSDI steering towards the PSI in its new political course? How do you respond to the charges of your coming to a settlement?

[Answer] What settlement? Let us not forget that, once again, we have firmly proposed a five-party formulation in contrast to the idea of a four-party formula, which would have probably pleased the Left. With our independent opinion towards everybody and without partiality, we opposed the Liberals when they were supporting a more narrow majority than the five-party one. We worked with moderation and firmness toward rebuilding the alliance without regard for whether it was in the interest of the country, or whether there was no other alternative but early elections."

[Question] You are considered to be the most uncompromising supporters of the five-party formulation.

[Answer] "This coalition is not a strategy but a majority solution which at the moment does not have an alternative. We have shown the country that we deem that other problems have priority rather than vague issues in foreign politics. The only thing that remains constant is the fact that in this direction nothing has changed with regard to Italy."

[Question] But, after Sigonella, do you completely share the policy followed by the Socialists and Craxi with regard to foreign politics?

[Answer] "To be sure, some recent socialist decisions have not found us in complete agreement. However, documents approved by Parliament show that there are no real differences in the five-party system with regard to foreign politics. Our Atlantic position is a choice of civilization which is a part of the party's tradition. If, however, somebody wants to replace us once in a while in order to start an internal fight by taking advantage of this way of thinking, then this is of little concern to us."

[Question] The Communists propose program governments with a view of gradually bringing about a Leftist alternative. This meets with wide approval in PSI circles.

[Answer] "There are some people who think of a future Leftist alternative, but we reaffirm that conditions are not favorable as far as today's PCI is concerned. We realize, however, that there is an evolution going on within the PCI, and by being in favor of this evolution we are, therefore, open to a constructive dialog with the Communists, but no more than that."

[Question] Craxi has recently stated that his heart beats on the Left.

[Answer] "Let us leave Craxi's heart alone. Quite a lot of water has to pass over the dam before we can say that there is a possibility to come to terms with all the Leftist line-ups. After having experienced limitation in its growth during the last two decades because of its exclusively anti-Communist rather than socialist politics, the PSDI cannot now allow reality to pass by".

[Question] PSI Vice-Secretary Martelli has proposed a "possible Left" which would include the PSDI as well as the Radicals in a political framework in three large areas.

[Answer] "We are very uncertain in responding to this viewpoint. About the same as we would feel in responding to a suggestion for electoral reform - which

usually is the prelude to a constitutional reform. This would bring about a majority solution which would inevitably push the PSI into the Communist area. However, an electoral block at 5 percent would force the traditional middle parties to form an electoral alliance - and it has been proven that these operations never tally with the numerical sum of the parties which make them up."

[Question] Are you afraid of becoming absorbed by the PSI in case there is a convergence in the socialist areas?

[Answer] "It is unquestionable that in an area-type union, the PSDI would end up by assuming an aggregate role instead of an autonomous one. Therefore, we cannot concur beforehand until the proposed solution has been better explained by Martelli. After all, as things stand now one cannot make predictions about a union of socialist forces. Saragat, answering somebody who suggested that he take the presidency of a unified socialism, replied that for the time being he is president of the PSDI. That is to say that there is validity in the prospect of a union of all the socialist forces, but for the time being the conditions are not right".

[Question] Pannella as minister. Do you oppose the entrance of the radicals into the majority?

[Answer] "There are both differences and sympathies between us and the radicals. We do not take into consideration the idea of Pannella becoming a minister because when this happens, it would coincide with the merging of the radicals with the PSI. Those who want the radicals to remain what they are cannot want them in the government. One welcomes rather a majority of six if one thinks that a broadening of the socialist forces must include the radicals as well."

[Question] It is said that the PCI would come out of its isolation thanks to the involvement of the opposition parties promoted by Craxi to benefit the financial law.

[Answer] "I do not see this as a relaunching of the Communists. It is the Prime Minister's right to press for a sense of responsibility on the part of the PCI with regard to some important deadlines. Let me also say that I do not believe in Gorla's stubbornness in defending the inviolability of the financing body. It has never happened that we have had a settlement after a minister's uncompromising stand on one of his bills. What is important is that the financing body by undergoing some revisions, does not get twisted in its own framework."

[Question] The controversies between Craxi and De Mita. Are we close to the breaking point?

[Answer] "We can all see that there is a sparkling dialogue between the two of them. However, this does not yet mean that there is a breach or a break-up in the five-party political framework. They seem to me to be digressions in polemics especially since government continuity responds to all the major problems of the country. Because of this I do not even believe in a pact of shared legislature between the PSI and the DC. What is important is what is being done, not the assignment of certain positions."

POLITICAL

NETHERLANDS

DE KONING VIEWS FUTURE OF NETHERLANDS ANTILLES

Amsterdam DE VOLKSKRANT in Dutch 21 Dec 85 p 17

[Interview with Jan De Koning, minister of Netherlands Antillean affairs, in connection with Aruba's independence, by Han Hansen: "The Antilles Need Quiet Above All"; date and place not given]

[Text] After 1 January the Netherlands will only be responsible for Aruba's defense and foreign relations. The island is to assume an independent position within the Kingdom at that time. The first worry is still the deplorable state of the economy, for which the Netherlands is keeping the sum of 100 million guilders available as emergency aid. Han Hansen talks about developments in the divided Antilles with the minister responsible, Jan De Koning.

The first of January will be a date of historic significance for the Kingdom of the Netherlands, because on that day it will again consist of three separate parts: the Netherlands, the Antilles, and Aruba. Since Suriname became independent in 1975, there have been just two partners. Aruba is now being added as an independent minstate under the Orange umbrella, an island with an area equal to that of Texel, a population of 60,000 souls, and awful government finances that the Netherlands will have to help out with 100 million guilders in emergency aid.

According to the Statute of the Kingdom, The Hague will soon be responsible only for Aruba's defense and foreign relations. The government of the Kingdom will still be responsible in the last instance for maintaining proper government, but the island would have to be on the point of sinking into the sea, so to speak, before the Netherlands would intervene toughly. This silent assent on the part of The Hague arose after the Marines' sensational operation against rioters on Curacao in 1969.

A Pity

Thus, after prolonged conflicts with neighboring Curacao, Aruba is going to get free of the Netherlands Antillean state. Minister of Netherlands Antillean Affairs De Koning sincerely hopes that with this development, quiet will fall in the West. "It is a pity that the six islands could not stay together. In any case further constitutional fragmentation would certainly fundamentally impair the structure of the Kingdom," the minister says warningly.

But from the largest political party on Curacao, out-going Prime Minister Maria Liberia-Peters' PNP, there have been heard pleas to allow Curacao, like Aruba, to opt for a separate status within the Kingdom.

Minister De Koning does not want to think about the possibility of Curacao, as the largest island in the Antilles, also deciding for an independent position within the Kingdom. "That would result in very different relationships and thus in a far-reaching reorganization of the Kingdom. For Curacao that choice would

mean a transitional period of about 10 years before definitive independence, just as now for Aruba. What is certain is that it will mean massive problems for the four small islands if Curacao too leaves the Antillean state."

For the time being the coming Antillean central government has enough to do with measures to combat the serious economic crisis. According to Antillean specialist Vermeend of the Socialist faction in the Second Chamber, government expenditures on Curacao will have to come down by 40 percent by 1990. That represents cuts of about 100 million Netherlands guilders a year. Drastic cuts in government personnel and in pay will be unavoidable.

The Big Question

Minister De Koning: "Deep cuts will be necessary. They also face an important governmental problem. A few years ago an advisory report was prepared on reforming the government structure, but officially there has never been a discussion of it. The big question is whether there should continue to be a central government mechanism with a separate layer of government under it on each island, or whether the two organizations should be merged."

"That is important, especially in terms of staffing. The decisions on this question have an obvious political-psychological side to them, because they affect the islands' governmental responsibilities. The small islands' worry about the financial cleanup is understandable, because they are afraid that they will become wards of Curacao to an even greater extent."

Minister De Koning says he has no definite preference for keeping or altering the Antillean government structure. "I believe that after 30 years of financial and governmental autonomy the country should not fall back now on the Netherlands for support for its finances. We are ready to provide aid with the budget during a transition period, but that cannot last more than a year or two. After that the Antilles' own finances will have to be healthy again."

Delay

"Before we decide on the emergency aid, we have to find out how big the deficit is. I have still not seen any figures on it, nor any plans about how it will be made good. The Antilleans are much too late with that. The plan for the cleanup operation should have been ready already," De Koning says scoldingly of Maria Liberia-Peters' outgoing government. The Hague will only provide its help with the budget when strict conditions have been met, like the ones that the IMF has also advised for Aruba.

According to the Netherlands minister he made his first offer of transitional financial aid to the Antilles way back in January 1985. "I repeated that proposal in August to the Antillean government, but so far there has been no response. The two formateurs, Don Martina and Claude Wathey, are working hard on forming a new cabinet, but it is a piece of bad luck that there have been delays there too. They had thought they would be ready before Christmas. That apparently is not working out."

De Koning does not say so himself, but in the small-scale political world of the Antilles politicians were less willing than ever to take unpopular measures in the runup to this year's elections. "I have no idea as yet of what the new Antillean government will come up with to restructure government expenditures. Thus I also do not know how much the Netherlands will have to make up. The government's borrowing level at the Central Bank on Curacao is rising sharply. There is a limit to that buffer, so haste is really of the essence."

Aruba already has a promise of 100 million guilders of aid from the Netherlands for the budget, but The Hague's conditions of a stringent cleanup are seen as restrictive.

De Koning: "Aruba cabinet informateur Eman told us during his recent visit that he could not find out about the island's finances. The Finance Department was not making adequate information available, information he has a right to as informateur. Well, soon a private accounting agency and a technical specialist from the Netherlands will be taking a quick financial inventory on Aruba. When I am in Oranjestad around 10 January for the so-called spending-consultation, decisions will have to be made about how the new Aruba government will get on with the financial cleanup," De Koning says.

Sabotage

What is not clear is whether the outgoing MEP majority government under defeated party leader Betico Croes is really attempting to sabotage the effort by Eman, its great rival and the informateur, to look at the financial books. There is, after all, Eman's grave accusation against the MEP, and thus against Croes, that it spent tens of millions of extra income from the Lago Refinery without properly answering for it. Partly as a result of this, Eman says, it will now be necessary to make unnecessarily severe cuts in Aruba government spending.

It does not matter to Minister De Koning whether the 6 January festivities celebrating Aruba's new constitutional position in the Kingdom are postponed, as Prime Minister-designate Eman has announced. Eman intends that gesture as a visible demonstration that his rival Croes left insufficient financial resources behind for a festive tour de force. The festivities will presumably take place in a modified form on 18 March.

De Koning: "If they go ahead with it at that time, I will be there. That is also true of Princess Margriet. Nonetheless I will be on Aruba at the start of January. It turned out that my periodic visit to all the islands for consultations on spending the development aid would fit in best around the time originally chosen."

12593

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POLITICAL

SWEDEN

PAPER VIEWS IMPACT OF PALME ASSASSINATION ON POLITICAL SCENE

Life's Work Assessed

Stockholm DAGENS NYHETER in Swedish 2 Mar 86 p 2

[Editorial: "Olof Palme Dead"]

[Text] Olof Palme is suddenly and inexplicably dead, murdered at night on a street in Stockholm. A few shots at close range and history took a turn that has parallels far back in Swedish history as well as outside our borders in the troubled present.

Known around the world, Olof Palme was Sweden's profile to the world in a way unmatched by any other Swedish politician. He has stood as a guarantee for Sweden's solidarity with oppressed people and nations far more than we Swedes usually realized. He who so often spoke movingly and persuasively against violence and for reconciliation between nations and blocs is himself the victim of a violent man.

The picture of Sweden as a sheltered corner of the world, secure in the absence of deep social conflicts, has been shattered a few times before when political violence touched our country. But what happened Friday night has no counterpart and makes our own existence seem even more uncertain.

In many ways an eccentric, a contentious and confrontational politician, always full of life and fighting spirit, ardent and intensive as the leader of his great movement and the nation, Olof Palme has been forced through the years to protect himself against the risk of assassination and acts of terrorism like other statesmen around the world. Those who have seen the stepped-up security arrangements may have occasionally given a thought to the possibility that there might be a real risk involved. When the murderer came the prime minister was unprotected because he too wanted to live like a man free of guards and police protection.

There is some reason to warn against drawing sweeping conclusions about what led up to the assassin's meeting with his victim. Olof Palme has always been surrounded by controversy. But this controversy cannot be compared in any way with the events in countries that are characterized by deep social divisions

and lack of internal balance. In the absence of hard facts, what has now happened must be regarded as an isolated act of insanity. Perhaps it also shows that violence, the reckless gesture, has achieved a more universal distribution than we are really able to comprehend.

A well-organized country like Sweden will regain its balance even after such a terrible event. Things will inexorably move ahead. The nation has a functioning leadership. That should be a consoling thought for a deeply shocked nation.

It is impossible to characterize Olof Palme's great impassioned deeds so soon after his death. For a uniquely long period of time from an international point of view he has been a central figure in the nation's political life, first as Tage Erlander's talented colleague, then in several ministerial posts and finally as the nation's prime minister on two occasions.

What many people remember most vividly is Olof Palme's role in the Vietnam debate. He had a natural inclination for international issues, nuclear arms, the question of survival. This did not mean that he was any less involved with the nation's own problems and the welfare issues that come up over and over again in a social structure that is never finished. He was controversial, made enemies here at home and came under attack, as often happens to combative leaders in this country.

Olof Palme's way of taking up the fight was influenced by his job as chairman of the big Social Democratic Party, the movement. Those who opposed his views felt that he put his party leadership role ahead of his role as the nation's prime minister, the man whose job is to unify the nation at decisive moments.

What many people overlooked was the intensity with which he approached his job as head of the Swedish government. He was not driven by an ideological conviction to change the country fundamentally, to make it more socialistic. But he wanted to make it function fairly and humanely--and was probably disappointed at times at how hard it was to make himself understood and to inspire confidence in his good intentions.

Olof Palme had a lot of things left to do. A month from now he was supposed to go to Moscow, a controversial trip that Palme himself had become convinced was proper and necessary--perhaps a step on the way toward the mutual security he regarded as necessary for the survival of the world.

Olof Palme will not be able to make this important trip abroad. His life has ended and we are unable to grasp the full extent of what has happened. The work to let Sweden develop its full potential and to give the international community inspiration for a more sensible international arrangement must be continued. But this work will have to be done without Olof Palme, murdered one night on a street in his Stockholm.

Politics After Palme

Stockholm DAGENS NYHETER in Swedish 3 Mar 86 p 2

[Editorial: "Politics After Palme"]

[Text] The day before the murder the government headed by Olof Palme experienced a major defeat. Going back on its own earlier statements, the government announced that the sales tax on stocks would be increased, causing people on the stock exchange to scream with rage and the middle-spectrum parties to break off the talks on family policy in protest. On the same day the Negotiating Cartel for Salaried Employees in the Private Sector [PTK] decided to issue a warning of an overtime blockade at firms belonging to the Swedish Employers' Confederation [SAF].

This was not one of the everyday crises that line the path of all governments. The Thursday before that black Friday was something of a moment of truth for the Palme minority government. The decision to increase the tax on stock sales was touched off by the double pressure exerted by discontent on the job sites and the impossibility of finding a compromise on family policy with the nonsocialist parties. If families with children are to get more money, it must be financed with the support of the Left-Communist Party [VPK]. The government is powerless in the increasingly disturbing contract movement while at the same time its dependence on the communists has been clearly demonstrated.

The Palme government seems to have landed in as bleak a situation as we had under the lottery parliament of 1973-76 when the foundation was laid for our economic woes. This time we cannot devalue our way back into balance.

A few months ago the chairman of the Swedish Federation of Trade Unions [LO], Stig Malm, proposed a national front against inflation. It was a courageous and well-informed suggestion, but it fell on barren soil. The tight budget along with the rising stock prices and the directors' Christmas feast on Leo stocks and convertibles created an almost explosive mood in large groups of wage earners. It was impossible to convince people that the fight against inflation should be the first priority this year too.

Pressure from the job sites is strong in the contract movement. It is a difficult and genuine dilemma at a time when wage increases must be low if we are to have a chance of restoring balance. If we are unable to shift down to a lower rate of speed when it comes to wage increases we too will soon have an unemployment rate of 10-12 percent along with most other western countries.

After the murder of Olof Palme, PTK decided to postpone its offensive tactics. Note that this is a postponement, not a cessation! Perhaps it would be a breach of etiquette to try to upset Olof Palme's policy before the funeral is held.

Our biggest problem is the strength of the special interests and the lack of agreement among them. Those who have been selected to represent these

interests must act in cooperation with their taskmasters. But anyone with insight into the total picture knows that the demands are mutually irreconcilable and that it would be best for all of us to arrive at low-level compromises.

Shouldn't we now try to set up a national front against inflation? The idea is not to catch wage earners off guard and offer them "poor" wage levels at a time when discontent over wages has been pushed aside by other feelings, although it could be presented in that light. It is not a betrayal of wage earners to act in such a way that we can protect employment and real wages to the best of our ability.

"I have a strong impression at this moment of how close we are to each other, all of us who live in a democracy, how much there is that unites us," Bengt Westerberg said on Saturday. That is the way the entire population feels today. Would it be wrong to translate this solidarity into practical action in Riksdag and on the labor market?

It is part of the rhetoric in a situation like this to say that policy should not be affected, that the work must be continued, that decisions are made by the party and the government, not by an individual. In consequence, relations with other parties should also remain unchanged.

But it does not have to be like that. In party politics, conflicts are self-generated. They are fanned by competition for the favor of the voters and by distrust and ill will. The murder of Olof Palme, which has united all Swedes in sorrow and indignation, should lead to a realization that solidarity and a spirit of friendship can be more meaningful for a while than the political struggle.

Unity of Parties Necessary

Stockholm DAGENS NYHETER in Swedish 3 Mar 86 p 2

[Editorial: "Party Unity Above All"]

[Text] The most important thing of all, said old party secretary Sten Andersson when he presented the proposal to elect Ingvar Carlsson as party chairman, is that he knows how to hold the party together.

Olof Palme's greatest virtue, added LO chairman Stig Malm, was that he was able to hold the two branches of the Swedish labor movement together.

Two similar views from two prominent Social Democrats. Unity in the party and between the party and the trade union movement is central. Not unless that unity exists can the political goal be pursued at full speed.

That was also Olof Palme's overriding concern in political work. He lived accordingly and could point with pride to the results. In contrast to Social Democratic parties in so many other countries, the Swedish party has managed to avoid serious splits or big open conflicts with LO. Palme played a leading

role in creating agreement on Swedish nuclear weapons, relations with EC, nuclear power and wage-earner funds. Sometimes the party took a positive stand and at other times it took a negative stand, but there were always enough elements of compromise to ensure that no rifts or only minor ones appeared.

The most momentous difference of opinion, the one concerning nuclear power, led to the loss of government power in 1976. But the most protracted internal conflict and the one that had the most serious consequences for parliamentary work concerned wage-earner funds. It took many years of painstaking revision before Palme could present a fairly manageable fund plan. But by then contacts with the nonsocialist parties had already deteriorated considerably.

This is the dilemma of the Social Democratic Party. On the one hand the labor movement must appear to be united. On the other hand it is also an asset to keep the parliamentary channels to the opposition open. (If the nonsocialist parties are running the government it is a different matter--in that situation it is extremely difficult for the Social Democrats to be consistent.) Olof Palme himself felt it was very important to help make democracy stronger, to bring about a consensus on vital issues.

He was not very successful at this. He was partly to blame, but of course the other parties were also at fault here.

But the most important thing has been the Social Democrats' insistence on constantly placing internal unity ahead of cooperation with other parties. Tax reform and most recently the sales tax on stocks are good examples of this. The new party leader must look beyond internal unity. Some effort must also be made to promote democratic teamwork.

Carlsson Continuing Palme's Policy

Stockholm DAGENS NYHETER in Swedish 3 Mar 86 p 9

[Commentary by Sven Svensson: "Palme Following in Palme's Footsteps"]

[Text] The leadership style will be different but the policy will be roughly the same. That is the implication of the choice of Ingvar Carlsson to succeed Olof Palme as leader of the Social Democratic Party.

Olof Palme and Ingvar Carlsson have been close to each other for several decades. They were a political team. Palme called on Carlsson when the going was rough and he needed help in solving a problem. The major difference is that Ingvar Carlsson lacks Olof Palme's international involvement and his impassioned fervor.

There are also differences on the personal level. Olof Palme never took the time to reflect on his own rights as a human being; during the opposition

period Ingvar Carlsson seriously considered leaving political life because of the heavy demands it makes.

Olof Palme irritated many people with his outward arrogance and his ardor, while Ingvar Carlsson represents a more low-key rational style. The rational style may turn out to be just as irritating in the long run. Ingvar Carlsson is also a shy man, perhaps even shyer than Olof Palme really was at heart.

Although the party leadership change came abruptly and quickly, Ingvar Carlsson had understood recently that he would take over after Olof Palme. The only question was when and how. Olof Palme had been the leader of the Social Democratic Party for almost 20 years with an enormous work load and an increasing political tempo.

Ingvar Carlsson has seen the work of the prime minister from within. Therefore he is more prepared than any other conceivable candidate and knows what the future involves. We should not expect any big shifts from the course that has been mapped out. The tone may change but it is unlikely that the political substance will do so. It is possible that Ingvar Carlsson, with his solid "old boy" past, will appear more dogmatic than Palme was, which could make him more vulnerable to internal pressures. Palme did have a unique insight into how the middle class thinks and feels.

During his entire active period as a politician Olof Palme demonstrated an unparalleled dexterity. In spite of the Social Democratic Party's minority position in the unicameral Riksdag he managed on most occasions to quell not only his own Riksdag group but the nonsocialist opposition as well.

It remains to be seen whether Ingvar Carlsson will be as skillful at carrying out this unique balancing act as his predecessor was. Several uncertain cards have been dealt. The Social Democrats are not sure where Liberal Party leader Bengt Westerberg stands and Karin Soder is a blank page in the Center Party context.

In reality there are very few opportunities to deviate from the true faith or to add personal embellishments if one is the leader of the Social Democratic Party. The so-called movement makes its demands and anyone who deviates runs the risk of a Dala rebellion or some other protest action that sometimes has little connection with economic or political realities.

Now Olaf Palme is tragically gone from the scene and Thorbjorn Falldin has left active politics in a fit of anger.

Many political observers have long viewed these two major combatants as an important barrier to organized political cooperation across bloc lines.

Will there be new opportunities to cooperate now that both are out of the picture?

The main requirement for a Social Democratic Party leader is to hold the labor movement together at all costs and to get it worked up every 3 years.

Another requirement is that a Social Democratic Party leader must ensure the party 43-44 percent of the vote. It is not the same as it is in Denmark and Finland where the Social Democratic brother parties have to make do with around 30 percent of the vote.

Therefore personal changes in Swedish politics mean little as far as the chances of organizing political cooperation across bloc lines are concerned.

A Social Democratic Party leader can only make marginal changes in course and nonsocialist party leaders who try to reach an agreement with the Social Democrats face certain election defeat.

Thus the Social Democrats would have to go through several elections in a row in which their support level went below 40 percent before the question of a government cooperation across bloc lines in the form of a big coalition would be considered seriously.

Such an election result would sooner or later force the Social Democrats to be less aloof and the middle parties in turn would be forced to decide whether they would prefer a nonsocialist three-party government with the Conservatives to a big coalition between the middle parties and the Social Democrats.

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POLITICAL

SWEDEN

PAPER PREDICTS MORE INTROVERTED SWEDEN UNDER CARLSSON

PM041557 Stockholm DAGENS NYHETER in Swedish 2 Mar 86 p 2

[Editorial: "A Different Type of Leader"]

[Text] Ingvar Carlsson, a politician from inside the Social Democratic movement, will succeed Olof Palme who came from outside it. He could have an easier time of spontaneously finding the tone which the broad membership will recognize as its own.

It is true that Ingvar Carlsson is only being proposed as temporary party leader up to the 1987 Party Congress. But once chosen a Social Democratic party chairman remains in his post. Even party Chairman Tage Erlander was not elected by an extraordinary congress when Per Albin Hansson died in 1946. This time the generation gap will not be as large as is traditional in the Social Democratic Party. After the old leader--Branting, Hansson, Erlander--the party has always chosen a new leader around the age of 40. Ingvar Carlsson is 51. There is no candidate around 40 available in the present acute situation. From time to time Lars Engqvist's name has been mentioned, but, for the time being at least, he remains outside the inner circles and has no government experience.

The only serious rival candidate to Ingvar Carlsson could have been [Finance minister] Kjell-olof Feldt. But first, it is doubtful whether he would be willing to take over, and second, despite his authority in his field and his contact with the people he is still fairly restricted to the economic sector. On political questions he is a deeper and more independent thinker than Carlsson, but this is not so important a consideration in the present situation. And recently it has been Feldt and not Carlsson who has been the target of the revolt in the movement.

Ingvar Carlsson is the man who does everything, not only in the present government. He has been Swedish Social Democratic Youth Association chairman, Erlander's secretary of state, education, and housing minister, and during the years in opposition the leader of the party's crisis group which laid the foundation for the reorientation after the 1982 election victory. He is the man the party has called in whenever the party has had problems, whether they have covered the party's own issues or relations with other parties. He is a solver of knotty problems, but hardly the man who has the solutions to the deep problems of society.

We can therefore expect under Ingvar Carlsson a Social Democratic Party which could be on easier terms with the opposition. But also a Social Democratic Party which will be a little grayer, less lifted by ideology, characterized more by practical work.

Sweden will also be more introverted under Ingvar Carlsson. Olof Palme took Sweden onto the world stage and introduced the Swedish people to international problems. Now times are different, our own problems more obvious--and the new prime minister less international.

It is a good, capable, and all-round leader the Social Democratic Party is now acquiring--and, shortly, Sweden too. His leadership will be less concerned with the great issues, but also less controversial.

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POLITICAL

SWEDEN

CARLSSON PRESSES FOR UNITY IN FIRST NEWS CONFERENCE

Discusses Wage Negotiations Atmosphere

Stockholm DAGENS NYHETER in Swedish - Mar 86 p 6

[Article by Dick Ljungberg: "We Must Stop Squabbling"]

[Text] "This tragic event has affected us all. I think people now want the politicians and labor market factions to avoid unnecessary squabbling and to try to work together whenever that is possible."

So said newly-elected party chairman and prospective Prime Minister Ingvar Carlsson in an interview with DAGENS NYHETER.

Ingvar Carlsson has had one interview after another since he was elected Monday morning as the Social Democratic Party's new leader--the fifth since the party was formed. Just before his meeting with us he was briefed by Police Commissioner Hans Holmer concerning the state of the search for Olof Palme's murderer.

Easier in the Sixties

It is not just the party that is pinning its hopes on him. Hopes have also been expressed in nonsocialist circles that the climate of political cooperation will improve.

"Conflicts intensify in periods with big economic problems. It was easier to cooperate in the 1960's when we had an expanding pie to divide," said Ingvar Carlsson. "Now we are starting to get the economy straightened out again and with the prospect of a clear increase in real wages this year I think the political climate will also improve."

It is factual circumstances like this that play a role, not political personalities, he said. And of the nonsocialist expectations concerning his own personality he said:

"They haven't seen me acting in my new post as party leader, where one is always more exposed, and I will have to be tested in that respect too."

One should not avoid disputes on issues where there are clear ideological differences of opinion, he said. Disputes are part of the parliamentary system and one also has to accept a certain amount of exaggeration, but an effort should be made to combat personal differences.

But he promised to seriously investigate all possibilities for compromise. He would prefer to see consensus agreements on foreign policy, defense policy and security policy. Environmental policy--food, farm problems, acid rain--are becoming more and more important and he hopes to be able to cooperate with the Center Party in this area as well as on a number of issues involving distribution policy. The two parties also have identical basic views with respect to shorter work hours for parents of young children.

Liberal Party Moving to the Right

"At the end of the 1970's I thought it would be possible to cooperate with the Liberal Party on the basis of shared wage-earner interests," said Ingvar Carlsson. "But since then the Liberals have veered to the right and the gap between us has widened.

"We are a minority government and must always get the support of some other party to gain passage for a Riksdag resolution. But that is nothing new for us. We have almost always had to create a majority on the basis of intermittent support, primarily from the middle parties and the Left-Communist Party and at times even from the Conservatives. I think that is the way things will work out in the future too."

There must be an open debate in the Social Democratic Party, but once a decision is made it has to be backed up. On that point Ingvar Carlsson was very firm.

"Of course it is important to listen to the movement, but a party leader must also have the courage to influence and try to win over public opinion concerning controversial issues. Look how Erlander and Strang convinced one local organization after another of how vital it was for party policy to introduce a sales tax."

Ingvar Carlsson is often described as a colorless person and we asked if the description was accurate.

"That is possible, but you have to remember that there is a difference between playing an inside role, as I have done so far, and playing first violin.

"But I think I am relatively well-known inside the organization. I have done a lot of canvassing and I have tried to establish contact, especially at small meetings," said Ingvar Carlsson. "Contacts are extremely important. The day I am unable to travel around the country, I will stop being a politician."

Order on the Stock Market

When it comes to the immediate future, Ingvar Carlsson is naturally hoping that the contract negotiations will go smoothly. "But then we have to get things in order on the stock market," he said. "There is no sense in saying that workers must display social responsibility while at the same time other groups in the country totally ignore any ethical or moral considerations."

He thinks job environment will become a big issue again and referred to display screens, among other things. And retraining funds will be extremely important so that people involved in production can have an opportunity to learn about the new technology. He said the retraining funds are one of the biggest educational reforms we have ever had in Sweden.

Good Solution

Ingvar Carlsson has not yet been elected prime minister and would not answer questions in this area. But he said of his old post as deputy prime minister:

"It was a good solution in this period, because the work between me and Olof Palme went so well. What will happen now I don't know, because it has so much to do with personal cooperation. I am not sure it will be possible to find a person who can immediately fit into the current organization."

Tells of Personal Worries

Stockholm DAGENS NYHETER in Swedish 4 Mar 86 p 6

[Article by Ake Ekdahl: "Concerned About Inadequacy"]

[Text] Ingvar Carlsson feels doubtful about taking over the party leadership after Olof Palme. He is unsure whether he will be adequate as Palme's successor. Solid party support finally persuaded him.

On Monday the Social Democratic Party's new leader met the press. His appointment is valid until the regular 30th party congress which is scheduled for September 1987. All indications are that he will be elected as party chairman by that congress. The chairmen of all the unions in the Swedish Federation of Trade Unions [LO] have already endorsed Ingvar Carlsson. A week from now Riksdag will name him to the prime minister's post.

The new party chairman met the press at People's Hall. He wore a dark suit with a black tie, the red party badge and the "Don't Touch My Pal" badge on his lapel. His responses were straightforward and about what one might expect.

Dry Humor

Social Democratic policy will remain the same. The public will not notice any big changes under the new party leader. At the end of the press conference we glimpsed Carlsson's well-known dry sense of humor.

"The new prime minister will definitely have his own ideas about who will become the new deputy prime minister," he said and refused to anticipate events and discuss the matters on the new prime minister's desk.

Carlsson explained how he worked with Olof Palme for almost three decades and also how he worked with Kjell-Olof Feldt, saying that they always held similar views on political questions.

He also declared, perhaps somewhat surprisingly, that he wanted to continue in Olof Palme's footsteps and allow Sweden to play a role on the international scene. Here Palme paved the way and made significant Swedish contributions that far exceeded the country's international significance based on its size, he said.

"I realize," said Carlsson, "that I do not have the considerable contact network or the international experience that Palme had. But Sweden cannot go back to the more isolated existence we had a few decades ago."

Moscow

Carlsson intends to spend as much time on international issues as Palme did. As prime minister he will start off by paying the official visit to Moscow that is planned for April.

Like his predecessor he thinks there is substantial agreement in Sweden on fundamental foreign policy issues and he hopes that all parties will make an effort to avoid unnecessary conflicts.

The new Social Democratic leader emphasized that he will handle his job to the best of his ability and that it would be a big mistake to try to copy his predecessors, Olof Palme, Tage Erlander, Per Albin Hansson and Hjalmar Branting.

There have been speculations that Carlsson would be more cooperative than Palme and on this point he replied:

"We have had a period of big economic problems and the emphasis was on our differences. My ambition now is to arrive at mutual and sensible solutions. But we can have conflicts, even major ones, in the future too. We must not be afraid of party conflicts, they are part of a representative democracy."

Openness

Carlsson stressed against the background of the assassination tragedy that Sweden must retain its openness. There have been calls in the debate for a stricter control system.

"There is strong support for our open society. We must join forces in stressing the point that this openness should not be abandoned. That is what makes Sweden a good country to live in."

To all the Social Democrats who signed the petition against the government's economic policy in Dalarna and elsewhere, Carlsson said:

"We may have a clearer realization today of the values we have in Sweden, security and human dignity, the values we feel we are entitled to. These are values we must defend," he said and expressed his belief that there was strong support for the party leadership.

In the background the stage of People's Hall was decorated with posters on the Social Democratic Party as a freedom movement with the text: "Everyone is needed to make the future better--including you."

'Realist with Possibilities'

Stockholm DAGENS NYHETER in Swedish 4 Mar 86 p 2

[Editorial: "A Realist with Possibilities"]

[Text] A realist, a practical politician with honor, loyalty and experience as his hallmarks has taken over as chairman of the Social Democratic Party. In a few weeks he will also become prime minister of Sweden. Ingvar Carlsson.

He now appears in his new role with a sureness and firmness that are not new but more pronounced. He can do so on the basis of his experience. For 19 years he has been part of the Social Democratic Party's inner circle, longer than Olof Palme was before he was elected as party chairman.

In 1967 he became Tage Erlander's undersecretary, moving on to become minister of education and then housing minister, a post in which he solved some difficult problems. During the opposition period he became the party's spokesman on nuclear power but he also headed the crisis group that initiated a review of the party's economic policy just before the party regained power in 1982.

As deputy prime minister he continued to solve the difficult problems, both large and small, facing the party and the government: first research, when it became important to show a different and substantially more positive attitude than previously; then the environment, when it turned out in the last election that the party had been on the wrong track in many areas.

Ingvar Carlsson stood out as the competent practical member of the team in contrast to the creative, enthusiastic Olof Palme, who also inspired a lot of hostility. But in the midst of all the good will, one could detect an uneasiness in recent years, a cautious desire to reappraise matters on the part of Ingvar Carlsson. The party's group on the future, which he led before the 1984 congress, was not the renewal that many had expected, however.

There was talk about reappraisal, renewal, a spirit of vital citizenship, freedom of choice and environmental assets. But all the renewal was supposed to take place within the existing framework: the public sector, the strong organizations, industrial growth. Thinking about the future extended only

halfway and it did not go even that far among local party power figures. The bonds of tradition and the exercise of power were too strong.

In spite of this it is too early to rule out the possibility that Ingvar Carlsson will be able to gradually ease the Social Democrats away from their traditional commitment to large-scale solutions, central planning and state solutions. Something that was basically foreign to Olof Palme, despite his keen awareness of new demands.

When Ingvar Carlsson wrote just after the fall election (in TIDEN, No 9, 1985) about "a new task for the Social Democrats," he realized that jobs, equality and welfare were no longer enough as goals. He pointed to new goals, such as a credible environmental policy, a more flexible public sector and a 6-hour day primarily for families with young children and shift workers. He seems to feel that it is necessary to move away from the concept of the Social Democratic Party as the concrete party, indisputably based on tangible facts. Now he has a chance to show if he was serious and if he is capable of carrying out a change of course.

Ingvar Carlsson must run both the party and the nation. Like all Social Democratic leaders he sets a high priority on inner party unity. But his practical orientation and his genuine working-class background suggest that he will have an easier time than his predecessor in achieving national consensus as well. If ideology is pushed into the background--and his credibility as a representative of the working class cannot be questioned--his contacts outside the labor movement will also be facilitated.

The climate of cooperation will not be radically changed. But it should be possible to gradually reduce the confrontation that has emerged over the last 10 years. That is if the other parties will go along with this.

It is therefore possible that Ingvar Carlsson will get a lot of results as prime minister. It is also quite possible that in spite of all the talk about dullness and melancholy he will be an appealing leader. He has greater possibilities than Olof Palme of being understood and supported by the middle groups in Swedish politics. Along with Bengt Westerberg on the nonsocialist side, Ingvar Carlsson should be able to make the issues the most important thing once more.

He may have a harder time with his own party. It requires fire and enthusiasm to live and develop. Competence and expertise are not enough. And the new ideas that are needed, which Ingvar Carlsson seems receptive to, must batter down the walls of conventional thinking among party activists at the local level.

With respect to the outside world we will have to get used to the fact that Sweden without Olof Palme will no longer have the same kind of impact. If Ingvar Carlsson by virtue of hard work and ambition can make sure that Sweden's voice is still heard on vital global issues, he will have made his most surprising contribution.

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POLITICAL

SWEDEN

REPORT URGES CENTER PARTY TO TARGET SOCIAL, LABOR CONCERNS

Stockholm DAGENS NYHETER in Swedish 25 Feb 86 p 9

[Article by Ake Ekdahl: "Center to Become Little Man's Party"]

[Text] The Center Party should put a lot of emphasis on acquiring a distinct low-wage profile as we approach the 1988 election. That is the conclusion of the political analysis group which came out today, Tuesday, with its report on how the Center Party can get out of its present crisis.

In its effort to become the little man's party the Center Party will offer a number of things aimed directly at Social Democratic voters:

Health insurance. The compensation level for health insurance would be the same for the Federation of Trade Unions [LO] collective as for salaried employees. The level would be 90 percent of lost income. That is a complete turnaround from the position in the last election when the official Center line was based on saving money on health insurance by reducing compensation. The issue led to internal party conflict.

The proposal concerning a childcare subsidy for families with young children will be expanded so that gainfully employed workers who cut their work hours from fulltime to a maximum of 6 hours a day would also be compensated for loss of income up to 45,000 kronor.

Six Hours

This means that if one person in a family who earns 200,000 kronor reduces his or her work hours to 6 hours a day, a 25-percent reduction, the childcare subsidy will compensate for a loss of 50,000 kronor in income up to a maximum of 45,000 kronor.

The third concrete proposal is that the Center Party be the first party after the Left-Communist Party [VPK] to work for the introduction of the 6-hour day as soon as the economy permits. The Social Democrats are making a similar demand but have promised to start with especially needy social groups.

With these and other demands the Center Party will underline its independence and etch a clear profile, according to the report which will now be discussed by the party's executive committee on Thursday and the party council on Friday.

Dagmar

The report deals specifically with the four issues of internal conflict that made the Center profile fuzzy in last fall's election and led to its defeat. These are the Dagmar reform, health insurance, food prices and the cooperation with the Christian Democrats [KDS].

The analysis group said of KDS that there was no support in the party for the continuation of technical election cooperation of the type that was tried in the 1985 election.

The report also contains a review of political trends from the red leftist wave of the 1960's to the green wave of the 1970's and the blue conservative wave of the 1980's, noting that today the conservative wave seems to be leveling off. According to the Center report we now have a period marked by demands for a more equitable distribution of the limited economic resources at our disposal.

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POLITICAL

SWEDEN

BRIEFS

GROUP LOBBYING FOR NATO MEMBERSHIP--A popular campaign for Swedish membership in the western defense organization NATO has been organized in Stockholm. A manifesto states that it is an illusion to think that our country could avoid being involved in a military conflict in Europe by relying on the formula of "nonalignment in peacetime aimed at neutrality in wartime." The goal of preserving our peace, freedom and national independence is best served by our abandoning our outdated neutrality policy and requesting NATO membership. The chairman of the movement is Thorwald Arvidsson of Stockholm. [Text] [Stockholm DAGENS NYHETER in Swedish 22 Feb 86 p 8] 6578

CSO: 3650/143

27 March 1986

MILITARY

EUROPEAN AFFAIRS

AUSTRIAN REVIEW OF 'NON-THREATENING' DEFENSE STRATEGY

Vienna OESTERREICHISCHE MILITAERISCHE ZEITUNG in German Jan/Feb 86, pp 107, 108

[Review by "PL" of book "Die Praxis der defensiven Verteidigung" [The Practice of Non-threatening Defense], edited by Carl Friedrich von Weizsaecker, Sponholtz-Verlag, Hameln 1984, 288 pp, 53 ill., DM 24.80]

[Text] In 1976 C.F. v. Weizsaecker in a book dealt with the question of a third world war, posed five well-founded central theses hereto and came to the conclusion that a policy to prevent the third world war is feasible. Shortly thereafter, H. Afheldt with a blueprint for a nonthreatening defense laid the foundation for the relevant pursuit of questions of strategy and starting from them with questions of preventing war and turning away from nuclear weapons systems.

This non-threatening defense, which was subsequently repeatedly revised and further developed, is to achieve this prevention of war without nuclear deterrence on the basis of exclusively conventional armament and so arranged within itself that it must not provide either an inducement for an arms race or goals which provoke for example nuclear destruction or may force a side involved in the conflict to quick and "bold" decisions in case of crisis.

Accordingly, the "non-threatening" defense in case of crisis is "stable," it does not contain any capability for the border-crossing offensive, but demonstrates a high attrition effect and thus deterrent effect; in other words it is not designed to make the war conventionally winnable and thus permits renouncing conducting it altogether.

In light of the 1979 NATO dual-track decision and the stationing of the Pershing-2 missiles in the FRG actually starting in 1983, this volume combines numerous individual articles by noted authors concerned with alternative concepts, thus supplementing the existing fundamental representations.

While H. Ahfeldt uses the known arguments for the non-threatening defense in a tight summary more or less as an introduction, there follow then two remarkable articles on the characteristics of efficient logistics in a military defensive concept (Franz J.U. Borkenhagen) and for effective commitment of light infantry (Eckardt Ahfeldt), infantry which in a "network" of about 70 to 100 km depth near the border can effectively delay and wear down an attacker for at least 4

to 7 days and thus is to create the prerequisite for the mechanized divisions deployed behind the "net" to destroy the forces which had broken through.

The infantrymen thus become the "buffer", the "fence" in whose loosely knotted stitches the attacker feels obstructed and hampered. But to fulfill this function somewhat, military-technical and tactical aspects of the battle of these infantry units are discussed in additional articles starting from modern weapons systems -- at present in the process of more or less progressive phases of development or at the beginning of the troop introduction -- especially guided weapons or rockets. The commitment of rocket artillery in this net is explained in detail by practical examples and a broad spectrum of possibilities for use, also integrated in the infantry platoons, is shown.

In the article on technotactics, in other words the infantry conduct of operations in the future based particularly on effective weapons systems with increased protection for the crew or the individual soldier, more far-reaching consideration is given to the employment especially of guided weapons systems and the mobile conduct of operations by nonmechanized forces connected therewith. The fascinating ideas of protective barrages or of the fully equipped infantrymen expressed elsewhere -- e.g. in Loeser or also Hannig -- comprise very high requirements on weapons technology, training and financial expense for their implementation.

It can only be suggested to intensively discuss the presented material of the volume.

12356

CSO: 3620/576

MILITARY

AUSTRIA

GENERAL TROOP INSPECTOR REVIEWS ARMED FORCES STATUS, PLANS

Vienna DER SOLDAT in German 12 Feb 86 p 3

[Interview with Gen Othmar Tauschitz, General Troop Inspector, conducted by Capt Christian Wiedersich [Res], 30 January 1986 at Radio Vienna studios: "General Tauschitz Guest at Radio Vienna"; first two paragraphs are DER SOLDAT introduction]

[Text] The General Troop Inspector visited Radio Vienna the evening of 30 January 1986 and gave this station an interview as part of the soldiers request concert.

The following is the record of the interview conducted by the moderator of this program, Capt Christian Wiedersich (retired).

Capt Christian Wiedersich: General, you have been the new General Troop Inspector of the Austrian army for a short time. How do you assess the overall condition of the Austrian federal army at the time you assumed this office?

General Tauschitz: Of course, a balance sheet is drawn at the time such a function is assumed and my balance sheet is the balance sheet of the intermediate stage because the federal army must be further developed in the direction of expansion starting in 1986. As regards manpower, we can definitely make a positive statement, for we are certainly going to achieve, even somewhat surpass, the prescribed 186,000 men authorized for us by the national defense plan. As regards material, we still have to close some gaps, especially concerning the field of high-angle fire, in other words in the fields of artillery and grenade launchers, in antiaircraft defense and in some fields of weapons technology that do not yet completely satisfy us.

Capt Christian Wiedersich: General, the U.N. section also belongs to your field of activity. How do you assess the activities of the Austrian soldiers involved in the UN peacekeeping assignment?

General Tauschitz: I view the activities in a quite positive way in their effect on the Austrian federal army but of course also in their effect on Austrian foreign policy. For the soldiers themselves it is a test to be integrated far from the homeland in a task force in which they get to know life in the field, life in which they have to solely depend on themselves and learn how

to bear responsibility. A little depressing is the problem of the UN debts to Austria which exist especially in the Cyprus area and which get bigger every year; but that is more of a problem for the federal government.

Capt Christian Wiedersich: General, in the foreseeable future there will be problems in the Austrian federal army as regards the number of soldiers. Because of the birthrate slump caused by the pill already discussed in many media, fewer soldiers will move into the Austrian federal army. What possible solutions do you see here to properly maintain the level of operational readiness?

General Tauschitz: This problem was predictable and is known to us. The reductions in the birthrate occurred during the last decade and we must include them in our calculations now and in the future. The annual figures will decline from the present about 50,000 to 37,000 after 1990 and subsequently will slowly improve. We have completed a series of measures of which we could mention as the most important one the lowering of the fitness criteria for certain functions which do not absolutely need physical high performance. At present we are calling up in reality only truly "superfit" soldiers.

We have to reduce in the case of the 8-month service recruits without reserve commitments and to make up for them with soldiers who simply can only serve 6 months and cannot completely serve 8 months immediately. Thus we are undoubtedly going to achieve an easing of the problem.

The proposal includes a great many measures; even if only some of them take effect we are over the worst difficulties.

Depressing is the great number of interventions from all conceivable areas, also from the field of politics. But here I do hope that a little understanding will take hold. I always make the comparison with Switzerland which from its 6 million inhabitants achieves a militia army of 600,000, i.e. 10 percent of the population. It should be possible to attain 300,000 men from a population of 7.5 million.

Capt Christian Wiedersich: General, a topic that is likely to be of current interest in 1986, too, is the question of stationing surveillance aircraft in Styria. In this question there continue to be efforts of the Styrian population to distribute the aircraft also to airfields of other federal states. What is your view on this problem?

General Tauschitz: We have already made a compromise in this field. It consists in that, on the one hand, the home airfields will be in Styria but that, on the other hand, the burden as regards flight operations will be distributed to all those federal provinces which possess adequate airfields. For the time being I cannot say anything else on this subject, for our entire planning, the organization, the raising of the personnel for the time being is attuned to the federal state of Styria.

Capt Christian Wiedersich: In talking about the aircraft, I get right away to the next question: What is the situation as regards armament and equipment of

the federal army? Is there going to be or will there have to be a further development? In certain branches of service I could imagine that a modification of weapons and equipment would be necessary.

General Tauschitz: At first we have to fill up and consolidate the intermediate stage and at the same time equip the expansion stage with materiel. We shall have to replace the M 60 tanks of the older type of construction, modernize the APCs of which we possess 460, procure new heavy grenade launchers and newly organize three battalions of artillery. This will be the biggest materiel projects in the near future. Air defense is regarded as a further important problem and here especially of course the ground-based air defense which appears to me to be difficult to imagine without use of missiles.

Capt Christian Wiedersich: Now, in conclusion, the question to you, general: In the function of general troop inspector, which main efforts do you want to concentrate on in the future?

General Tauschitz: The line has actually been clearly drawn and was developed by my predecessor, Gen Heinz Scharff, retired, under whom I worked for 5 years. One main effort will be the continuation of the increase of the army in the direction of the expansion stage, in other words the achievement of an army strength of 300,000 men in 1994. Another main effort will be directed towards strengthening of the army in all areas, especially in the field of training, where I expect improvements by means of inspection, finally in the development of the militia and not only in the organizational area but also in the mental area. For example, the militia concept must be legally fixed. Once the army has been completely built up, it will consist of at least 90 percent militia soldiers and this tremendous share can, after all, not be designated as "reserve." The reserve is, generally speaking, the smaller part of a whole. Therefore I am going to work towards finally establishing the terms career soldiers and militia soldiers and not regular soldiers and reservists. That is then followed up by career officers and militia officers, career NCOs and militia NCOs and so forth.

Capt Christian Wiedersich: General, I thank you for the interview.

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MILITARY

FINLAND

BORDER GUARD ANTICIPATES PURCHASE OF MEDIUM HELICOPTERS

Helsinki HELSINGIN SANOMAT in Finnish 7 Feb 86 p 12

[Article: "Border Guard Planning for Helicopters in Supplementary Budget"]

[Text] The Border Guard is negotiating the procurement of medium-weight helicopters with various parties for the purpose of including it immediately in the first supplementary budget in the spring.

Last year's allocation amounted to a total of 100 million markkaa for the procurement of helicopters by the Border Guard, but "only" 15 million markkaa were used and this was for the procurement of light helicopters or another Agusta Bell 412. The remainder of the allocation was not used last year.

It was learned from the Border Guard's general staff that the procurement of medium-weight helicopters is not a simple matter, but in question is a whole package which includes various equipment and parts in addition to the helicopters themselves. They include navigation and rescue equipment as well as equipment intended for various other purposes.

One essential reason for the fact that the procurement of medium-weight helicopters was not made last year can be found from this very same large whole according to the Border Guard. At the same time, this allocation has been affected by inflation, among other things, so that the cost of these helicopters is still open.

The intent of the Border Guard is to procure the whole helicopter package, which includes three medium-weight helicopters and necessary equipment. The new helicopters would replace the Soviet-made MI 8-helicopters in the Turku Border Guard Flight Detachment. No decision has yet made on the type of aircraft and manufacturing country.

10576

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MILITARY

ITALY

DEFENSE MINISTER REPLIES TO CATHOLIC PACIFISTS

Rome L'ESPRESSO in Italian 19 Jan 86 pp 16-17

[Article by Giovanni Spadolini: "Want Peace? Pay Your Taxes!"]

[Text] Those 2400 signatures -- from priests, nuns, religious community organizations -- are vividly reminiscent of some of the "counterplebiscites" held by the "Opera Congressi" of a century ago! There was the Veneto, Catholic Veneto, voicing approval for tax protests and for conscientious objection, calling -- with the approval -- subsequently partially withdrawn -- of a few bishops -- for refusing military service (which is set forth as a "sacred duty" in the Republican Constitution), or for massive tax boycotts! Well, that very same Veneto seems once again to be the heart of Catholic opposition to the Post-Risorgimento Italian state, still the land of the Scottons and Paganussi.

Have a hundred years really elapsed in vain? The underlying protest against the secular "usurper state", against the September 20 state, ultimately challenged everything, even the armed forces, protagonists in the "Piedmontese conquest," and of the "revolutionary swindle." General Cadorno, who was nevertheless a most devout Catholic -- as, for that matter, were almost all the officers of Piedmontese or Savoyard extraction -- and father to one of the most Catholic of all our chiefs of general staff -- was routinely referred to as "Cadorna the Bomber" or, occasionally, as "the man who shelled Rome."

The battles of the Risorgimento were under fire from "Civiltà Cattolica," a constant barrage broken at intervals with contemptuous challenges: Lissa and Custoza were summarily recalled, to the detriment of feats of arms in which Piedmontese and Italians had been, or seemed to be, the victors. There was a streak of anti-militarism, the mirror-image of anti-secularism. The Italian Army was the "heart" of the nation's secular clergy.

The official Catholic world, the one that marched to the banners of the Catholic opposition to the Italian state that lasted until the political "it is not fitting" was uttered (and never mind the vast and motley area of liberal Catholicism, which mended the rift on its own terms) was living "under hostile domination." At least, they let it appear that they were living under such conditions.

All such ploys, like the one preached by the bishops of the Triveneto (with the extraordinary higher-up support or coercion -- and this may sound like a paradox -- from the Bishop of Trieste) were frequent occurrences, one might almost say everyday happenings.

There was, though, at least one "formal" justification. The monarchical and liberal state, the one I dubbed -- almost 40 years ago in the pages of "Papato Socialista," the "Jacobin monarchy," exercised unilateral and sovereign regulatory powers over relations between the two banks of the Tiber (where the Pope chose to style himself a "prisoner"): via the Undertakings Act. Passed by the Italian Parliament, still sitting in Florence, but never accepted by the Vatican, never recognized by the church.

Conscientious objection infected the entire state, and operated from an internal logic of its own. Today, though? The Republic was born of a struggle that involved, on essential issues, the Catholics (including the clergy). Participating in the drafting of the Constitution were representatives of the political world of Catholics, through a party that was already in possession of a relative majority of the Constituent Assembly. And, above all, relations between church and state were governed, through a "constitutional canonization," which, even so, rent asunder and continued to divide the secular world, ever since the Lateran Concordat of 1929, the fruit of an agreement between the two Romes that placed specific obligations upon both contracting parties.

There is the church as community of believers, and then there is the church as institution. Pacifism, even in its most impassioned and boundless form, did not enter into the discussion. The battle against war, against the threat of war (any war, any aggression), is the right of all communities of believers, Catholic and non-Catholic. There are, however, insuperable barriers emplaced by the Constitutional Court around the church as institution, and furthermore in the bounds of a concordatarial system that has recently been restored: it is not without its grey areas that are constantly reflected in political polemics and in parliamentary procedure.

Anyone who professes to secular tolerance, who is familiar with the roots of the terms "laic" or "secular," will eschew any anti-clericalism and any contraposition between believers and non-believers, and refrain from making mountains out of molehills. Such a man is not blind, however, and he cannot but see that one fact remains.

The fact that remains, according to the chronicles of this singular "pronunciamento" of so many Veneto ecclesiastics against military service and in favor of tax resistance, is that part of the church as institution is interposing itself between the state and the citizen. It is also intervening in the development of the two relationships of public law that are connected with the age-old history of the concept of the state: payment of tribute and military service.

There is little point to reminding ourselves that we all perceive ourselves, Catholics and non-Catholics alike, in Article 11 of our constitution, which is splendid when it says: "Italy repudiates war as an instrument offensive to the freedom of other peoples and as a means for settling international disputes." No need to underscore the fact that the concept of "army," of armed forces, is subject to the Republican Constitution, to the principle of defense, and to the consequent exclusion of any form of aggression.

Our constitution, though, has been used to create a state. And states are not governed solely the necessary affirmations of the objectives they pursue. Look, too, at Article 52, equally solemn, almost ecclesiastical is the formula that withstood the lynx-eyed scrutiny of Concetto Marchesi, the Rector of Padua, in whose breast burned a fearless tradition of post-Risorgimento laicism: "The defense of his country is the sacred duty of the citizen (and no laicist had even the mildest objection to introducing such a term as "sacred" to underscore its unique value). Then there is Article 53: "All are bound to bear a share of public expenditures to the extent of their ability to contribute."

Clearly, there is a mighty harmony in the constitution. On the one hand lies repudiation of war: and Hiroshima and Nagasaki were terrifyingly near, in time and in our souls, to the demanding days of the Constituent Assembly. On the other hand is defense and public expenditure, including that for defense, in view of building a state of freedom. The Constituent Assembly worked through the tumultuous years when what Churchill had been first to sense: the Iron Curtain that was descending upon a Europe bled nearly to death by the mad Nazi-Fascist war.

That defense of Italy, that defense of Europe helped a lot. They also helped to spare Italian Catholics the prospect facing Catholics in the other most Catholic regions of Europe (to which the heart of the present Pontiff turns with deep disquiet).

Of course, it is all over. History also was made, thank God, for the church of silence. Stalin was no more: in his stead is a man who is not in the mainline of despotism and the Cold War. In the midst of it, though, was the Atlantic Alliance -- and we Italians, firmly determined to accept in all its defensive duties, from De Gasperi to the secularists who founded the Republic -- and consequently in deterrence against further takeovers in the East. That Atlantic Alliance that Comrade Enrico Berlinguer considered our first line of defense, including defense of the freedom of Italian communists, an essential condition and a bulwark for Eurocommunism.

Of course, after the terrorist violence, the "nights of fire," the killings (the deadly record of the Taliercio family, the brutal slaying of whose father dimmed no smiles on the faces of the pure and the innocent...). It would be well, for most Catholic Veneto, to reflect on itself and on the choice we made together for universal peace. Many judges, many carabinieri, many police officers gave their lives during the "leaden years" to protect that right to reflection.

Accordingly, the bishops, the patriarchs, that portion of the Church as institution that concurs with documents and position papers in the tax-objectors' movement, must also reflect on its juridical and moral status in this state.

The new Concordat is just off the press. It raises unscalable walls around the official church.

Suddenly free as birds, radicals, proletarian democrats, Jehovah's Witnesses, advocates of disarmament, communion, and liberation set about preaching, organizing, pushing for every objection the law allows. The church as institution, though, is in duty bound to refrain from interfering in the relations, as set forth in the constitution, between the Republic and its citizens.

"Promises must be honored" applies to everybody. The alternative is to opt for bilateral renunciation -- an idea that would find no objections in principle among lay groups -- of the Concordat instrument. We were reading an interview the other day with Domenico Rosati, president of the Christian Associations of Italian Workers (ACLI), citing the United States as example.

Well, the system of absolute separation between church and state confers total freedom on American Catholics. But the Concordat system places several limitations on our bishops and priests. Limits having to do with the laws in the Republican constitution. That same constitution in which Article 7 is inscribed.

6182

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MILITARY

SWEDEN

EXPORT PROSPECTS FOR EXPORTING GRIPEN FIGHTER VIEWED

PM281703 Stockholm SVENSKA DAGBLADET in Swedish 12 Feb 86 p 8

[Article by Erik Liden: "Gripen Is the New Export Hope"]

[Text] Linkoping--The chances of exporting the new Swedish combat aircraft, the JAS 39-Gripen, have increased.

Switzerland has given preference among six projects to the JAS as a replacement for the French Mirage aircraft. Some 80 aircraft will be ordered in the period 1990-1994 at a cost of over 12 billion kronor.

This emerged when a full-scale model of the JAS 39-Gripen was unveiled at Saab-Scania's aircraft division in Linkoping yesterday in the presence of Defense Minister Roine Carlsson and Armed Forces Commander in Chief Lennart Ljung, among others.

Denmark, Finland, and Austria, which are today using various Draken models and have been since the beginning of the seventies, are now studying the development of the JAS project in Sweden.

The JAS project leadership--in which Saab-Scania, Volvo, Vlygmotor, Ericsson, and the state-owned FFV [expansion unknown], are the major companies involved--was noticeably optimistic when the unveiling was wound up by Saab-Scania managing director Georg Karnsund:

"We are experiencing a great deal of interest in the rest of the world in this unique cooperation in a unique aircraft project that has no parallel. Sweden will be first in the world with a single-model aircraft for pursuit, attack, and surveillance. It is our hope that Sweden's first order for 140 aircraft will be followed by several major Swedish and foreign orders for the JAS aircraft.

The assessment of the JAS leadership is that during the 1990's the Swedish Defense Forces will order at least another 110 JAS 39-Gripens. By the year 2010, Sweden would then have at least a total of 250 JAS aircraft--140 of which have been ordered and will be delivered before the turn of the century.

The cost of these 140 aircraft inclusive of development, armaments, and maintenance is 40 billion kronor in today's terms.

The actual production cost of a series of JAS aircraft is estimated today at 75 to 80 million kronor per aircraft. The corresponding price for the Pursuit Viggens currently being supplied to the Air Force from the workshops in Linkoping is 90 million kronor per aircraft.

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ECONOMIC

EUROPEAN AFFAIRS

FINNISH BANK CHIEF URGES NORDICS JOIN IN USSR PROJECTS

Helsinki HUFVUDSTADSBLADET in Swedish 13 Feb 86 p 14

[Text] A pooling of Nordic expertise and financial resources could give the Nordic region a chance to compete for enormous projects in the Soviet Union, according to Ulf Sundqvist, chief director of the Workers' Savings Bank. These projects are so big that they usually go to others.

Sundqvist, who spoke to the Tammerfors meeting of the Paasikivi Society on Wednesday evening, is of the opinion that the Nordic security policy situation is strengthened as a result of increased cooperation. The security interests of both Finland and the Soviet Union are advanced by stable and peaceful conditions in northern Europe.

What is involved in Nordic cooperation, according to Sundqvist, is a comprehensive and necessary pooling of natural resources, personnel resources and financial capacity on the part of countries whose history, culture, behavior and ideas are very similar.

The only alternative to Nordic cooperation is for each country to seek cooperation and contacts with other European countries or in the market area in other parts of the world, Sundqvist pointed out.

Sundqvist belongs to the so-called Gyllenhammar group which is considering increased Nordic cooperation. According to Sundqvist the task force is planning to form a foundation in the spring for the purpose of functioning as a contact point for private business, public authorities and the union movement with respect to Nordic projects.

6578

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ECONOMIC

BELGIUM

MARTENS ON BUDGET DEFICIT, AUSTERITY POLICY

Brussels KNACK in Dutch 22 Jan 86 pp 12-17

[Interview with Wilfried Martens, prime minister of Belgium, after 2 months in office, by Frans Verleyen: "I Realize That There Is No Excuse Any More"; date and place not given; ellipses as in original; capitalized passages emphasized in original; first paragraph is KNACK introduction]

[Text] The Martens VI cabinet has been in office for 2 months now. Time for a conversation with Prime Minister Martens and for the great to-do about the budget. But interspersed with a great many kind words about the Belgian franc, the Greens, Guy Verhofstadt, telecommunications, Mrs. Herman-Michielsen, people in their 50's, Jacques Lang, and the Belgian voter.

[Question] How do you react to the claim that the election campaign was fought under false colors? A number of critics say that too pretty a picture was painted of the economic and financial situation. And now the "new figures" are in: a much larger deficit in the budget than predicted, a jump in the unemployment figures, things going less well at Cockerill-Sambre.

Wilfried Martens: In that list only the budget element is important to me. The employment picture was better in every way at the end of 1985 than a year before. The rise in the unemployment figure (plus 6,000 at the end of November) does not detract from that. The State Labor Service still has not been able to provide an explanation for what happened there.

Nor does Cockerill-Sambre represent a fundamental new problem. We still have all our options open there. Overall, events have simply borne out the "health index" that my chef du cabinet, Fons Verplaetse, worked out for our economy and which rose uninterruptedly under the previous government. If it were not for our budget problem, it would now stand at 100, which means that the Belgian government's financial situation would be as healthy as that of our large European neighbors.

The sole policy area in which we are really at sea is and will continue to be government finances. I would be the last one to de-dramatize that. On the contrary, I think that the laxity in all sectors and areas of budget management is so great that I will heartily welcome anybody pointing out the need for major reforms. That does not stop me, however, from pointing out that these figures also have to be read correctly. The treasury had transactions last year of about 60 billion OUTSIDE THE BUDGET. It took over from the regions a loan of 17 billion and an advance of 7.2 billion for Social Housing. It came up with 6 billion for the Brussels region and the same amount again for social security for salaried and self-employed people. By the way, note that the regions and communities now owe 40 billion to the national treasury. In a year's time they have doubled that deficit. And I am almost embarrassed to say that the Flemish government is the largest debtor, with a credit overdraft of 26 billion.

What should we learn from this? One of two things: in speaking about the budget we either have to define the net balance needing to be financed as being the total government deficit, including cities, regional governments, and social security. If we look at it like that, then the budget deficit for 1985 is no less than 600 billion. Or else we limit the concept to the expenditures and revenues of the central government. In that case the deficit comes to "only" 520 billion. In that case the budget for 1985 was executed in a very respectable way, especially on the expenditure side. Revenue was rather less than expected.

Discourteous

[Question] People like patronat boss André Leysen are not satisfied with that explanation and express doubts in public about your claim that the end of the tunnel is in sight.

Martens: I think the employers dwell too much on the budget problem in their description of the situation. It is through our policy that workers sacrificed 3.5 percent for the sake of business competitiveness, and after a devaluation at that. This sacrifice also worked to the disadvantage of the state treasury, which lost out twice: no taxes or social premiums were paid on the amount of wages and salary saved by the companies, and the attendant sacrifice of 3 percent in the 5-3-3 operation went exclusively for employment. It was only in March 1984 that we began to do something for government finances, when we skipped an index adjustment three times, which by the way is not going to be made up. Despite the handicap the treasury took on itself for the sake of business, the total government deficit fell from 16 to 12 percent of the GNP between 1982 and 1985.

[Question] Is the deficit so large that it presents a direct monetary danger to the exchange rate of the Belgian franc?

Martens: No. The primary determinants of a currency's position are the balance of payments and inflation. In Belgium's case the situation there is basically sound. For that matter the press has just published calculations showing that the franc actually appreciated by 2 percent last year. The international money market does not in fact pay such close attention to deficits caused by domestic borrowing. It assumes rather that measures putting the economy back on an even keel will automatically lead to correct budgets. They are quite at ease there as far as the present government goes. Furthermore, last year we hardly borrowed at all abroad.

[Question] Still you may come to face a political problem: a conflict of interests between the population as a whole with the sacrifices it is making, and the more limited group of those who own state obligations and to whom you have to pay interest.

Martens: There will not be any more supplementary jumps in the index, no more direct or linear intervention on pay and social benefits. Of course certain measures such as a halt to school construction for instance (a saving of 9 billion) will affect the income of some construction workers. But that is not a sacrifice affecting the entire population. Minister Maystadt stated not long ago that the limits of income moderation have been reached. All of a sudden that statement became big news. But I had said the same thing even before Christmas, and on television at that. People apparently ignored that. So I will now repeat that colleague Maystadt was formulating a view of the entire cabinet, one that is included in the coalition agreement. The treasury problem will have to be solved entirely within the budget itself and not through new cuts in incomes. New cuts would no longer be economically justifiable.

[Question] By the end of next year you will have to have reduced the deficit by not less than a third, from 12 percent to 8. Can you achieve such a drastic goal without altering society? Can the welfare state survive such an operation?

Martens: It is not possible to achieve a goal like that without a fundamental alteration in society. We are taking definitive leave of the golden 1960's. The society of tomorrow will revalue the effort and will have accepted the genuine modernization of our economy. Not just with some propaganda about the personal computer, but in genuinely using data processing, which is certainly no toy. Using that as an instrument to work intelligently demands a great deal of training, knowledge, and effort. That strength of character is needed elsewhere as well. Today we are having difficulties in hiring both gendarmes and musicians for the National Orchestra.

The new society being born in the 1980's will also have to accept some consequences in the field of ecology. That Greens' analysis is often correct. They are, however, against modernizing our industry and technology. I want to have both: environmental protection and industrial modernization.

At the same time as the government has been shedding its bad financial management habits (the ministers are now very well aware that the mountain of debts will no longer melt away in a general economic recovery), society itself has cleaned up the antibusiness climate of the 1960's. The inflexibility in so many social laws has also been overcome mentally. People have really absorbed the idea of labor flexibility. Thousands of people now prefer to work on the weekend or part-time and that kind of thing.

That is the direction I see the new society moving in. It is obvious that after the radical operations the government is getting ready for, the Belgians will wake up and find themselves in a new country. Working time will have been redistributed to a considerable degree. The new industries are sprouting up all over. All kinds of old social norms will have loosened up.

Yesterday I visited Ford at Genk, where the most modern robot technology in the world is being used on the new assembly lines for the "Transit." The scene I saw was full of hope but also carried a warning. The men who had done the spot welding before had been retrained and are now supervising the (energy-efficient) robots. I saw a team of three young people in their 20's with an A1 diploma, and based on their experience with the machines they correct the programs of the big specialists. Observation, dedication, retraining... you must not underestimate the demands of working with computers. And not long ago LE MONDE published a disillusioning report about how in France the computer is mostly used incorrectly and inadequately, as a gadget.

[Question] You are actually the RTT [Telegraph and Telephone Administration] minister now too.

Martens: Indeed, I am the "guardian" of Post, Telegraph, Telephone State Secretary Paula D'Hondt. I am happy about that, because that sector fascinates me. I would prefer to call it "telecommunications." At the moment it is much connected with the so-called RTT contract of the century and with all the material that provides for conflict in a country like ours. More basic, however, is my hope that Belgium, the land of expressways, can also become the land of telecommunications.

[Question] In the meantime you find yourself here and now faced with the worry about the colossal budget deficits. How much chance do you think Deputy Prime Minister Verhofstadt has to solve them?

Martens: It is true that I myself pressed hard for him to come into the government. For him to take the opportunity to realize his ideas NOW. I am happy with Verhofstadt and with his suggestions, which in the atmosphere of the cabinet can come out as pretty energetic. I need maximum support like that. Valuable politicians--and that is true of the opposition too--who stay in politics despite all the difficulties, should be given as much chance as possible to show what they can do, even if they are potential competition for my own party. As head of the government that has always been my position.

It MUST be possible for a so-called Center-Right government to achieve the reforms that a Socialist cabinet is working for in France. Why is it so difficult for us to clean up government operations? It must be connected with the fact that for centuries we had no state of our own. The government was always a FOREIGN power so that you cheated on the game of expenditures and taxes. That in turn led to the limitless growth of state and parastate clientelism. That is why it is such a hopeful event that the new budget minister, Guy Verhofstadt, is concentrating on working out new budget techniques. On discovering and eliminating so many traditional abuses and financial leaks.

[Question:] Can you lift a corner of the great clean-up veil?

Martens: The real central state deficit is, in my opinion, 520 billion at the present moment. By the end of 1987 we have to get it down to 425 billion. That calls for net cuts of 100 billion, and thus a gross figure of at least 150 billion. Without new revenues. We have to achieve that. A quarter of the national expenditure already goes for debt payments, I cannot touch that: in the 1986 budget of 2,000 billion francs, 500 billion will go for interest.

The big political decisions, adumbrated in the coalition agreement and their technical details prepared in the budget cells, will be made public by Easter-time. By then I hope we will have gotten the law on special powers and will have the prospect of an extremely important social consultation on working hours, employment, competitiveness, purchasing power, and pay. If there is no agreement on these, the government will decide by itself in the fall. But I hope from the bottom of my heart that the social partners, who to the best of my knowledge have not seen each other since the summer of 1984, will be able to reach a big agreement.

Then the budget review follows at the beginning of 1987, still before the special powers on budget and social security lapse on 31 March 1987. So in 13, 14 months it will all have to be done, including ratification by Parliament of all those measures. Not just ratification but also amendment if necessary.

[Question:] The Liberal and the ACW [Christian Labor Movement] wings in your cabinet are not very compatible ideologically. What do you have to say about the view that the coalition is only held together by a fierce anti-Socialism, just as the Red-Blue Van Acker-Lilar government (1954-1958) found its cement in anti-clericalism?

Martens: That could be. However, the problem of compatibility is a political luxury for a cabinet driven together and held together by the sacred NECESSITY of fighting the crisis, and thus by the fundamental readiness on both sides (including the ACW) to carry out the recovery policy to the end. A government of Christian-Democrats and Socialists would be anything but in agreement on that. So there is no alternative.

Then there is another very essential thing. Probably for the first time since World War II, a government (and not just the political parties) told the people after governing almost 4 years: Look, we have carried out this policy--which was pretty rough on you--but it is not over yet, the results are still touch and go, it has to continue. The government finances still call for a great effort till the end of 1987, we can only loosen our belts a bit after that. An absolute majority of the voters gave their approval to that! Not entirely without grumbling and protest, but still approval. They will never be able to wash that fact away again: 3,044,000 voters, on 4 lists, say yes. That is 50.2 percent, while the opposition on 16 lists gathered 3,020,000 supporters. And after a very difficult time forming a government, a December poll gives exactly the same results. I would be untrue to the voters--even though I gave myself 6 months to find out whether Martens VI was viable (that is to say, whether it has a potential chance to serve out a full legislative period)--if I did not carry out the only real promise I gave: the 8 percent by the end of next year. The 6 months are in any case a necessary incubation period, that is true of all governments. If you do not get to the crucial decisions immediately, you have no future.

[Question] You say "the only real promise." Is that why your cabinet gives the feeling that from now on the communautaire dimension in Belgian politics is something sterile, negligible?

Martens: That impression is totally wrong. The government declaration contains a much more important communautaire section than under Martens V. That is especially true of Brussels. This was the first time that I have seen both Flemings and Francophones from Brussels demand that my formateur note go into details on Brussels. They wanted precise details: financial resources, internal reforms in all Brussels government bodies. Having both language communities on all governing bodies in the capital now appears to be a matter of equal concern to all inhabitants, regardless of their language. Brussels with its financial problems, urbanization, and immigration is where they both live, and "primum vivere" [first live and then philosophize] holds for all of them. That opens up new political possibilities.

Furthermore, I am asking for a second chance for the state reform. I finally have reason to hope that the new arrangements will no longer be sabotaged out of partisan considerations. Both the national and the regional levels have parallel majorities. There will be no more a priori scuttling of the consensus, which does not mean to say that the chairmen of the Executives will insist any less on their rights and competencies.

Jacques Lang

[Question] Can the spectacle in the Walloon Council, with what looks like too narrow a majority, last much longer? Is the impasse there not a threat to you?

Martens: I do not think so, that is a typically regional problem. Besides, by law the Executive can only be brought down if an alternative majority has been formed in advance. That is a very neat stipulation that the jurists from the Council of State thought up at the time. They followed the German system. That provides a much better guarantee for the stability of the Executives than there is for the national government.

Nonetheless, the situation in the Walloon Council can indeed not go on this way for long. The opposition faces the question of principle of whether they should exclude Toon van Overstraeten and so change the required majority from 53 out of 104, to 52 out of 103. Well then, they did that themselves before when Mrs. Aline Bernaerts was excluded.

[Question] What do you think about PVV Senator Herman-Michielsen's proposal not to have ministers sit in Parliament?

Martens: I fully agree with that proposal, the original idea comes from the CVP by the way. It does not even require a law. In practice all the elected ministers could resign from Parliament, so that their replacements would take their place. To be honest, you would then have to agree that the ministerial salaries would have to be raised considerably. After all the deductions, without my pay as a member of Parliament I would be earning only 80,000 francs a month. For a minister I think that is, with all due respect, too little.

[Question] Soon you will have been prime minister for 10 years.

Martens: Actually that is not normal. Alternation at the top is one of the most important rules in a democracy. The day after 13 October I said in an interview: "I do not feel any triumph, once again I anticipate a heavy burden." Some saw that as an expression of defeatism, but it was not. I was thinking about alternation, about my chances for personal renewal, and so on. I do realize that the present continuity in the state is a great blessing for a country that has suffered all too much from a lack of stability.

Wallonia realize that today there is no excuse any more if we do not achieve economic and social recovery. Those things must not be lost. That calls for a great effort from a man who has already been prime minister and is still not 50. Now I know that the value accorded to age is changing. Certainly in business they are giving the preference more and more to young, well-trained people. That is why I often ask myself what is happening socially to the growing group of early retirees. What are they doing? What is happening to the people in their 50's? I find it anything but a positive element in a harmonious society that people at the height of their skill sometimes have to be removed brutally for the sake of rationalization. I think this represents an enormous loss of capital, although I do not understand all aspects of the problem.

Question: In France Culture Minister Jacques Lang wants to make use of these people.

Answer: That is indeed the most positive way. That they be made use of, for their own sake and for that of the environment, in libraries, concert halls, associations. Myself, however, I cannot carry out or really support such a policy. Both industrial modernization and the stimulation of popular culture now fall under regional and community policy, to Gaston Geens and his team.

I must play the nice role to play now, the creative side, the attractive side of politics. I, as head of the central government, have to put on my POLICEMAN'S UNIFORM too often and too much for my taste. When the accounts do not balance, it is the central government that has to come out with strict economic and compulsory arrangements. Always appearing with a stern face, imposing discipline, watching over wage and price controls. Once again in 1986 we face a loss of about 1.6 percent in industrial competitiveness. The Central Business Council will, as the law prescribes, have to look for measures to combat that. It is not a pleasant task for me always to have to be talking about these things, however necessary it may be. The regional institutions do not suffer from this necessity.

Continuing Losses

Question: On the Flemish side, however, they will soon be coming up against the tough problem of the closing of mines.

Answer: That is Gaston Geens' problem in the first instance. But of the five working groups set up in connection with that, four are national: restructuring, social assistance, financing, and the energy policy group. Within the Flemish Executive itself there is only one regional working group, the one on restructuring.

How to work out a reasonable future for KS [possibly Kempen Coal Mines]? I do not think it can be done with the same approach as at Cockerill-Sambre. Given the necessary reorganization the steel firm has achieved, it can become profitable. The income assigned to Wallonia from the inheritance tax is sufficient to pay off a large investment loan, a loan that guarantees the restructuring of Cockerill-Sambre. That is not possible for Limburg, there is no prospect that it will ever be possible to mine Limburg coal without a loss, whatever what investments are made. The inheritance revenue will have to serve to cover the annual losses. It therefore comes down to getting the permanent operating losses down to a tolerable level, in part by no longer replacing the 1,500 people who leave each year by attrition. Then you get the problem of unemployment. After Zwartberg we got Ford Genk in 1966. I would no longer dare dream of such a massive project, but I would hope for many smaller ones.

Question: Mr. Lemings think that Cockerill has gotten much more money.

Answer: Wrong. They forget that until a few years ago the coal losses were always made up via the Ministry of Economic Affairs' ordinary budget.

[Question] What do you think of the growing idea that a number of politicians have of privatization? "It is not necessary for the government to own social housing, trains, aircraft, ships, telephone exchanges..."

Martens: Financially, social housing presents the greatest problem. But in terms of privatization, however, people talk mostly about the RTT and public transportation, with Japan as a model. For Europe, with its overabundance of small countries, however, I think that privatization would be difficult to carry out. Even IBM experts explained that to me last year in the United States. I believe that the basic infrastructure, the digital telephone exchanges and the glass fiber cables, will have to stay in government hands. But the things that are constructed around that, the peripheral equipment, the telephone that is no longer just a "speaking tube" but rather part of a whole data terminal, that will be private. Just as private cars drive on the government's roads. The debate about this will not be an easy one. Because the peripheral sector too, which tomorrow will be transmitting both telephone conversations and still and moving pictures over cable, almost automatically produces monopolies that the government in turn has to take action against. Privatization is not the one true faith.

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CSO: 3614/62

ECONOMIC

CYPRUS

HOUSE APPROVES 1986 STATE BUDGETS

NC010755 Nicosia CYPRUS MAIL in English 1 Mar 86 p 3

[Text] The combined votes of the ruling Democratic Party and of the Communist AKEL Party saved the budgets for 1986 yesterday but not without a significant pruning of 16.4 million pounds.

The three budgets, Ordinary, Development and Refugee Relief Fund, provided for a total expenditure of 520.0 million pounds and a total revenue of 388.0 million pounds, which means a deficit of 132.0 million pounds.

The Ordinary budget of 423.0 million pounds is axed by 9.5 million pounds and deletes the amount allocated for a legation in Brussels and at the European Community's headquarters.

The Development budget of 68.5 million pounds is axed by 4.0 million pounds and the Refugee Relief Fund budget is also pruned by 2.6 million pounds.

But all four parties in the House voted in favour of the items for defence. In the final vote 28 members voted for the passage of the budgets, the members of the Democratic Party and of AKEL. The 17 members of the Rally Party voted against while the Socialist EDEK Party abstained when the article by article reading was going on, but voted against the budgets in their aggregate except for the items on defence.

In the Ordinary Budget the axing affects 395 posts out of the 654 demanded by the government.

/6662

CSO: 3500/11

ECONOMIC

DENMARK

HUGE TRADE DEFICIT OVERSHADOWS SOME FAVORABLE ECONOMIC TRENDS

Eighty Thousand More Jobs in 1985

Copenhagen BERLINGSKE TIDENDE in Danish 27 Feb 86 Sec III p 4

[Article by Hugo Garden; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] Employment rose sharply in 1985. Some 80 percent of the gains occurred in the private sector. Industry provided the largest share but the increase was greatest in the construction sector.

Employment rose sharply throughout 1985 according to a report from the Danish Bureau of Statistics.

From the fourth quarter of 1984 to the fourth quarter of 1985 employment rose by 80,000 and there was an increase of 25,000 from the third to the fourth quarter of last year according to the report which is based on payments to the supplemental pension fund [ATP]. The statistics do not provide exact figures for increased employment but can be regarded as an indicator.

The increases occurred in the private sector. No less than 80 percent of the increase from 1984 to 1985 occurred in the private sector, an increase of 64,000 employees.

In the public sector the increases occurred mainly at the county and municipal level, where 9,000 employees in all were added to the work force.

In the private sector the increase was greatest in industry with 27,000 new employees, an increase of 5.5 percent. If the gains are measured in percentages the construction sector is in the lead with an increase of over 10 percent, representing 13,000 new workers. The trade sector added over 13,000 workers, the transport branch added 4,000 and financial institutions and other business services added 4,000.

The big jump in construction jobs provides part of the explanation for the poor state of affairs in the export area. Due to the great demand on the domestic market many firms have found it easier to sell their products here instead of abroad. And the brisk construction activity has freed construction firms from the need to seek work in the export sector.

Since the fourth quarter of 1982 employment has increased by 151,000 jobs. The biggest increases occurred in 1984 and 1985.

Consumer Prices Continue Drop

Copenhagen BERLINGSKE TIDENDE in Danish 27 Feb 86 Sec III p 4

[Article by Henrik Skov; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] Consumer prices are about to fall off the bottom of the scale. In January prices fell 0.3 percent.

It is now the third month in a row that consumer prices in this country have declined. The Danish Bureau of Statistics based its calculations on the consumer price index, set at 147.5 for January. This indicates a decline of 0.4 points or 0.3 percent compared to December. Consumer prices also fell from November to December, although the drop was "only" 0.1 point.

Measured from January 1985 to January 1986 consumer prices are down to an annual growth rate of 2.8 percent.

Part of the explanation for the price decline is that January is a sale month. Typical sale items such as clothing and shoes dropped 6 percent in January while utility prices (fuel, electricity, gas, heat) were down 1.4 percent. The cost of medicine and doctor's visits also went down 0.4 percent. On the other hand food prices went up 0.4 percent and recreational equipment and entertainment topped the list with an increase of 0.7 percent in January.

The figures now document clearly that the Danish economy is capable of forcing inflation down. In 1980 consumer prices had an annual growth rate of 12.3 percent and prices did not go below the 10 percent level until 1983. The rate of increase was set at 6.9 percent. Since then developments have moved quickly and Denmark is on the way to joining the exclusive club of low-inflation countries alongside such countries as Japan and West Germany.

January Trade Deficit Unexpected

Copenhagen BERLINGSKE TIDENDE in Danish 27 Feb 86 Sec III p 4

[Article by Hugo Garden: "Big Deficit in Foreign Trade"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] Foreign trade showed an unexpectedly large deficit of 1.8 billion kroner in January. There has been a sharp decrease in exports but imports have also declined.

In January foreign trade had an enormous deficit of over 1.8 billion kroner.

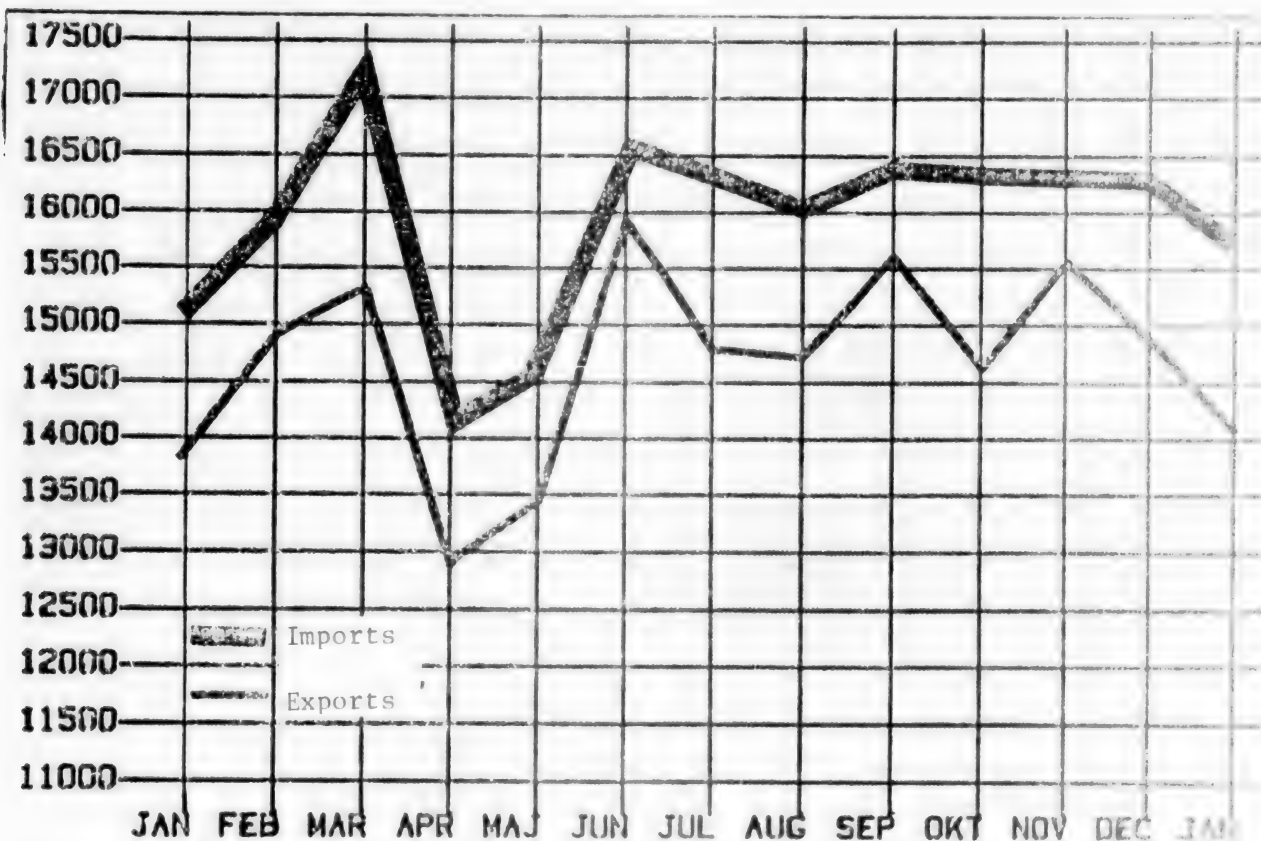
Export and import developments were much worse than even the most economists had anticipated. A deficit of around 1.5 billion kroner in actual figures had been predicted.

The deficit was 1.7 billion kroner after the figures were adjusted for seasonal variations, according to the Danish Bureau of Statistics.

However the deficit did not lead to negative reactions on the stock exchange. Stock brokers say the stock market is lying low in a manner of speaking, waiting to see the results of the vote on the EC package.

Economic Affairs Minister Anders Andersen (Liberal) said that the government takes a serious view of the trade balance. The large amount of economic activity with the increase in employment is one of the reasons for the deficit, but in addition to that exports have been unsatisfactory, Andersen told RITZAUS BUREAU.

But he wanted to see how the decline in the dollar and the drop in oil prices affected trade before drawing any conclusions about economic policy.



The graph shows export and import developments in seasonally-adjusted figures. The curve shows that exports have consistently been lower than imports through the fall but that they took a dramatic turn for the worse in

Employment improved by around 25,000 jobs from the third to the fourth quarter of last year, according to an ATP survey.

Social Democrat Mogens Camre predicted that an economic intervention would occur very soon.

The statistics show that exports are very sluggish. The figures confirm the anxiety several economists have expressed for some time--showing that the long-awaited turnaround in trade has not yet occurred and that in fact the situation has deteriorated.

Exports were relatively stable in the fall and fluctuated around 15 billion kroner a month in seasonally-adjusted figures. That trend was regarded as unsatisfactory because exports are the main factor that can solve our economic problems. But even that disappointing trend changed for the worse. Exports dropped 1 billion kroner below the fall level, just a fraction higher than export figures for January 1985.

We must go back to the labor conflict months of April and May 1985 to find lower export figures in 1985.

The seasonally-adjusted export figure was 14.1 billion kroner and the actual figure was 14.2 billion.

The only consolation is that imports also declined, but not as much--compared with the trend in the fall. Imports were then stable at a level around 16 billion kroner a month in seasonally-adjusted figures. Imports have now dropped to around 15.8 billion kroner in seasonally-adjusted figures or 16 billion kroner in actual figures.

The figures from the Danish Bureau of Statistics are preliminary in nature, in other words they may not turn out to be entirely accurate. But the report has improved compared to earlier reports in that import and export figures have now been broken down to some extent.

The breakdown was made in terms of actual figures. Compared to December and January of last year, business imports went up to 9.4 billion kroner. Oil and gasoline imports fell to a relatively low level, namely 2.3 billion kroner. Consumer imports rose at a relatively modest rate to 3.7 billion kroner.

Farm exports amounted to 3.2 billion kroner. That is an increase compared to December but the level is below the fall levels in 1985 and 1984. Industrial exports, at 9.2 billion kroner, are almost the same as they were in December and exports are more than 1.5 billion kroner below the October and November 1985 levels and 1 billion below the October and November 1984 levels. Fuel exports amounted to 600 million kroner, several hundred million kroner below the level of recent months.

27 March 1986

Stagnation in Industrial Exports

Copenhagen BERLINGSKE TIDENDE in Danish 27 Feb 86 Sec III p 4

[Article by Hugo Garden; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] Industrial exports have been at a low level for the last 6 months. The labor conflicts last year have not yet been offset. Declining demand has created an export problem that has affected everyone.

The big deficit in the balance of trade in January clearly demonstrated that there is a very big export problem. Exports in general as well as industrial exports in particular have risen at a slower rate than anticipated.

It is not yet clear if market shares have actually been lost in recent months--aside from the substantial loss in connection with the labor conflicts last spring. But the shift economists and politicians have been talking about for the last half year has not occurred.

Statistics from other countries indicate that this is not a special Danish export problem. In our most important competitor nations exports also declined in the last months of 1985.

"The special Danish problem has been a continued large increase in imports. In the other countries with which we compare ourselves both imports and exports have declined," said Verner Puggaard, chief economist with the Industrial Council.

Exports rose 6 percent from January 1985 to January 1986.

On an annual basis and in terms of value, industrial exports rose 6 percent. That is below the rate of increase that was anticipated in early 1985. But the rate of increase has been especially low in recent months.

In the fourth quarter Danish exports rose 4.5 percent compared to 8.5 percent for the entire year--in terms of current prices. The corresponding figures for West Germany were 2.5 and 10 percent, those for France were 1.5 and 6.5 percent and those for Sweden were 3.5 and 6.5 percent.

"The weak state of the market in the United States in the last months of the year has apparently spread to other countries. Domestic demand declined in many of our most important export markets. This is especially true of areas such as private consumption and housing construction, while there is still good demand in the area of business investments," said Verner Puggaard.

Some bank economists fear that Danish industry will have a hard time surviving the competition on export markets and that Danish firms may even lose market shares.

Strike Losses Not Yet Overcome

Verner Puggaard said that we have not yet seen statistics that say anything about competitiveness. But it is obvious that Danish industry has not yet managed to overcome the losses it sustained in connection with the labor conflict--losses that cut the increase in industrial exports by as much as 2 percent.

Some say that order volume has declined but Puggaard disagrees. There is traditionally a decline in order volume in the fall. But the weak growth in consumption and housing construction in export markets is reflected by the lower volume of orders in these areas, especially in the construction sector. However there is a big increase in the volume of orders for industrial investment products.

At the end of 1985 total export orders were 15 percent higher than the number of orders in 1984 and at the end of 1984 orders were 10 percent higher than in 1983.

There could be a turn for the better when the full impact of the decline in the dollar and lower oil prices is felt. This will give consumers more buying power in export markets.

But it goes without saying that this phenomenon applies to all exporting nations. Danish firms will not automatically win market shares because of it. When it comes to solving the balance problems in the Danish economy, it will presumably be easier for industry to make a contribution to the solution when dollars are cheaper and oil prices are down.

The Industrial Council estimated earlier that industrial exports would have to increase by 7-8 percent a year up to 1990 in order to make a substantial contribution to the national economy. It must be realized now that industry has been unable to maintain such a high rate of increase for any length of time.

Key Leader Urges Intervention

Copenhagen BERLINGSKE TIDENDE in Danish 1 Mar 86 p 8

[Article by Carl Otto Brix: "Radical Liberals Ready for Economic Intervention"]

[Text] The leader of the Radical Liberal Party, Niels Helveg Petersen, said that the economic policy that has produced such great results should be continued, but the balance of payments deficit should be reduced.

The Radical Liberals are ready to lend a hand with the economic austerity measures the government is planning because the balance of payments deficit is mounting with explosive force.

Party leader Niels Helveg Petersen told BERLINGSKE TIDENDE that it would be wrong not to utilize the favorable situation in all other areas to find a solution to the most serious problem: the balance of payments deficit.

Urgent to Reduce Deficit

"We must get used to being a low-inflation country and we must utilize the declines in the exchange rate of the dollar and in oil prices to reduce Denmark's trade deficit," said Niels Helveg Petersen.

Should that be done by increasing the value-added tax?

"That would be a poor solution."

What about the fact that energy tax revenues in December turned out to be inadequate?

"If we had known how oil prices would continue to drop the December intervention would have been set up differently."

Is the December intervention the model that should be followed?

"I will not say anything about what form the intervention should take or how quickly it should be implemented. I just want to underline the necessity of limiting consumption."

Are there political overtones in the willingness of the Radical Liberals to cooperate in an economic intervention?

"We make no secret of the fact that we would like to see the continuation of the economic policy that the government has implemented with the help of the Radical Liberal Party. It has produced remarkable results. More people have jobs than ever before in Danish history, the inflation rate has been cut to almost zero and the national budget deficit will soon be a thing of the past."

Social Democrats Lost Ground

Have the Social Democrats lost credibility as a ruling party?

"The party lost a good deal of ground in the campaign leading up to the referendum but they can regain it if the party is willing to work seriously to convert the contents of the EC package into practical policies. This will be a test for the Social Democrats. The Market Committee will have an entirely new role when it has to review the consequences of the package. As part of a subcommittee we will look into what must be done in connection with the special environmental rights individual countries will acquire in the context of the elimination of technical trade barriers.

Plenty of Time

"Incidentally it is amusing that all the parties--including the Social Democrats, the Socialist People's Party and the Left-Socialists--are now saying that we should wait to take a stand on environmental problems until the new regulations have been introduced--the regulations that make it possible for a nation to set stricter environmental requirements. That came out in yesterday's Market Committee meeting. But we will now have plenty of time in which to work on the problems. It is unlikely that the treaty will be ratified by all the member nations before the end of the year and the treaty regulations will not go into effect until then. In the meantime the Social Democrats can prove their fitness to run the country through serious cooperation."

Paper Ponders Intervention Proposal

Copenhagen BERLINGSKE TIDENDE in Danish 1 Mar 86 p 10

[Editorial: "What Kind of Intervention?"]

[Text] This situation cannot continue, the director of the National Bank said in a comment on last year's balance of payments deficit of 28 billion kroner. That is the kickoff for a renewed discussion of economic intervention

Now no one thinks things should go on like this. Therefore the relevant question is whether the present course and the prospects for the immediate future are synonymous with a continued balance of payments deficit that is unacceptable.

There are several trends in international economic developments that are positive from the point of view of Danish interests. These include the decline of the dollar, falling interest rates, the drop in oil prices and the prospect of a speeding up of the economy in West Germany and several other EC countries. On the other hand, things look terrible on the Nordic market. In this country the effects of the economic adjustments in December have not shown up yet. We are referring to mandatory savings, energy taxes and an anticipated decline in municipal demand compared to last year.

There can be no doubt that consumer imports are much too high at this time and that export growth is disappointing. But in discussing economic adjustments we must not overlook the fact that there are positive trends that make it relevant to discuss the need for turning down the heat. The Danish economy is at a peak with regard to economic growth. The immediate effect of this is the big increase in employment. Added to that is the increase in individual buying power due to price stability. The new energy taxes are not enough to neutralize the drop in energy prices, which also makes it possible to increase consumption.

Faced with the present level of employment and consumption the only valid solution is to increase exports in the form of bigger market shares. It would thus be desirable if we could stress expansive and long-range efforts instead of the traditional consumption limits and lower employment rates. There is no question of continuing to have the kind of payments deficit we had last year.

6578

CSO: 3613/80

ECONOMIC

FEDERAL REPUBLIC OF GERMANY

TRADE SURPLUS WITH PRC RISES SHARPLY IN 1985

Hamburg DPA in German 1759 GMT 27 Feb 86

[Text] Frankfurt, 27 Feb (DPA)--The German export surplus in trade with China rose sevenfold in 1985. While German exports increased by 116 percent to DM6.43 billion, imports from the People's Republic rose only 5.7 percent to DM2.55 billion. This meant that the German surplus rose to DM3.88 billion. This emerges from figures published to mark the trade talks held in Frankfurt by a delegation from the China Council for the Promotion of International Trade (CCPIT). Even if Beijing should face increasing foreign exchange problems as a result of the increasing Chinese deficits in trade with the industrial countries, the policy of opening up would not be reversed. This was stressed by CCPIT chairman Jia Shi on Thursday in an address to representatives of Frankfurt's economy. Beijing will instead tap additional sources of foreign exchange through various channels in order to be able to continue to import modern technology, stressed Jia Shi, the head of a Chinese delegation which has also been holding talks in Frankfurt with the German Federal Bank and the Deutsche Bank AES to finance imports, China wishes for increased direct investment in People's Republic as well as credits from international monetary institutions and trade credit.

From 1979 to 1986 China received foreign credits of \$20.3 billion (DM45.7 billion at the current exchange rate).

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CSO: 3620/595

ECONOMIC

FEDERAL REPUBLIC OF GERMANY

BERLIN FIGHTS UNEMPLOYMENT WITH RETRAINING PROGRAMS

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 13 Feb 86 p 14

[Article by Hans Herbert Goetz, datelined Berlin, 12 February: "Berlin Intends to Fight for Each and Every Job"]

[Text] Those were the days: The German economy was in a slump when, in the 1950's and 1960's, Federal Economics Minister Ludwig Erhard spoke at one of the major fairs and noted that the recovery was on the way. And just look--there it was and with it new orders. The relatively few unemployed of the time soon found work again. But the times are past, when some industries reorganized themselves, restructured themselves in the competition, and when the so-called "catch-up demand" was still around. Even with the biggest recovery it has now become impossible to abolish the persistent mass unemployment. Progress now is measurable "in millimeters" only.

In Berlin, endowed with rediscovered new site benefits, especially the availability of scientific-technical potential and motivated scientists, all responsible officials are about to take up the battle against unemployment. The senator for economics, the new management of the Land employment office, enterprises, labor unions, chambers and federations--they all have rolled up their sleeves. Elmar Pieroth wishes the problem of mass unemployment to be solved within 3 years. It is much to be desired that the negative headlines once again unfortunately supplied by Berlin, may not spoil these good beginnings. We must hope that the remarkable investment readiness of corporations and of all those who avoided Berlin like the plague in recent years, will not slacken again--because the consequence will be new and interesting jobs.

The sins of the past are only too visible in Berlin, in particular the sufficiently criticised policy of considering Berlin as a location only for an "extended work bench." It is bad enough that 68 percent of all unemployed have no skills--far more than in the federal territory. At a time when demands on professional skills are increasingly great in Berlin also and even especially, their reinstatement offers particular difficulties. It has by now been clearly recognized that the training offensive "invented" in Berlin is by no means adequate, however important it may be. People who have been unemployed for a long time and may even be welfare recipients, must first be motivated for retraining which involves effort.

A statistical accident has exemplified one of the most urgent problems of Berlin. In the past year, 147,000 unemployed have been registered, and exactly the same figure has been reported of those found new jobs by the employment offices. It is therefore not the case that the employment offices helplessly confront the phenomenon of mass unemployment. The large placement figures show that the labor market is on the move. However, new groups of unemployed are springing up constantly--the young, women and workers formerly employed in failing enterprises. Some of these unemployed cannot be motivated by the methods of the so-called work provision measures (ABM). Unskilled forestry work in the Grunewald, for example, is not in great demand because it is considered to be an inferior job.

At this point efforts must be made on behalf of individuals, and that goes also for counselors and agents of the employment offices. Some of them will have to be newly motivated and even retrained, because it is no longer possible to find jobs by the practical knowledge acquired 20 years ago.

A simple example may show how the unemployed may be won over for sensible, not "alienate" and, above all, regular work. Once they were squatters, then welfare recipients, but now they have declared themselves ready to refurbish a run down block in Kreuzberg's Oranienstrasse, which--for the past 2 years--has been owned by the "Stattbau," a recognized reconstruction contractor. The combination of job provision measures and unemployed skilled construction workers has been exemplary. A small group arose which, managed by a skilled worker, learns something in regular 6-hour shifts and earns a bit more than the social welfare rate which, in Kreuzberg too, is barely enough to keep body and soul together. If we imagine the organization of dozens of such small groups, a great deal of progress would have been made.

Another example: Siemens has contracted with a Berlin employment office with the objective of training skilled electronic workers for electrical plants. The respective director of the employment office said that measures for retraining and further education will be the focus of the operations of the Federal Institute for Labor. Eighty-five people successfully concluded retraining at Siemens within the framework of seven similar contracts. Altogether about 5,000 retraining volunteers attend such courses of instruction in almost all occupations. At the moment there are vacancies for 300 electronic workers for electrical plants. Berlin intends to show that there are definite opportunities available in the fight against mass unemployment: It takes much patience, some money and understanding of the need.

11698

CSO: 3620/559

ECONOMIC

FEDERAL REPUBLIC OF GERMANY

BERLIN MAYOR CONFRONTS CORRUPTION OF HOUSING SUBSIDY PROGRAM

Duesseldorf WIRTSCHAFTSWOCHE in German 7 Feb 86 pp 14-15

[Article: "Evil Consequences of Subsidies"]

[Text] The scandal concerning bureaucratic snarls and corruption in Berlin points up a fundamental negligence of governing mayor Eberhard Diepgen: Failure to reform the city's subsidy and construction policy.

He expressed a wish to remain "mayor to the end of the century." But last Saturday Eberhard Diepgen had to be glad to have saved the Senat and his mayoral office from the no-confidence motion of the opposition at least for this weekend.

A successfully begun municipal and economic policy which had earned Berlin economic recovery and renewed attraction for investors, tourists and upwardly mobile professionals, threatens to sink in the morass of greasy corruption scandals.

And yet, on its election posters, the CDU had once attacked and caricatured the bureaucratic tangles of the SPD as "bureaucratic millipedes" and, by laboring this issue, achieved a change of government. Subsequently, though, it did just as little against the causes of this Berlin disease as against the black sheep in its own ranks.

Only a radical cure will be able to deal with the rampant Berlin disease: The swamp represented by the construction industry. Lack of money does not affect Berlin--the shortage is that of building sites. In addition, bottlenecks arise in the matter of building permits as well as in that of inclusion in the subsidy programs. The all too tight interrelation of business, politics and administration distributes the shortage, encourages good old boy networks and, in the extreme case, corruption. Diepgen's first mistake was the failure to quickly have a new building plan drafted. Berlin construction legislation is based on the hopelessly out-of-date urban use plan dating back to 1958. According to construction state secretary Jens Krause, "this permits construction only by exemption from the valid construction legislation."

Individual administrative exemptions approve building height, the type and future use of the building, the distance from the next building, and ranges to construction technical and architectural details. Saving regulations after the event mean that real estate purchases mean either a business coup or bankruptcy.

No wonder that, occasionally, a helping hand is given. Starting points are the (politically) elected district construction councillors--two of whom are now detained pending investigation--and also the officials of the superordinated construction administration. "Minor officials there decide matters which involve a lot of money," says one contractor.

Berlin city researcher Eberhard von Einem comments: "The more rigid and formal a system, the more necessary is the informal structure of decisionmaking and problem settlement." In other words: The more rules there are, the more they are bent.

Diepgen also neglected to open up decisionmaking with regard to the sale of city owned sites: The price and terms of such transactions. Because the purchase or hereditary tenure of public real estate are the preconditions for participation in the Berlin game of Monopoly.

Still, it was Diepgen's biggest mistake not to tackle a fundamental reform of social housing construction in Berlin. According to SPD deputy Wolfgang Nagel, "this system and its accumulation of tax relief and direct government aid represents precisely that enormous attraction and its consequence of flourishing bureaucratic snarls, corruption and crime."

In fact enormous subsidies are pumped into the Berlin housing construction market by the Senat owned "Wohnungsbau-Kreditanstalt" (WBK) [Housing Construction Credit Institution], and they virtually incite to legal, semilegal and illegal exploitation. In no city is construction so expensive and housing so cheap (and therefore so much subsidized) as in Berlin. Rents in a new residential building of social housing construction in Berlin are only DM4.70 per square meter. More than 70 percent of all Berliners qualify for such housing, and 97 percent of all apartments are subsidized. The economic rent to be approved by the WBK may be as high as DM30 per square meter--the Senat pays the difference--each and every month. In 1986 alone the Berlin budget will spend around DM3 billion on this subsidy.

The worst fault of the system is this: A building entrepreneur going in for cost conscious construction punishes himself. Cost savings are achieved at the expense of state subsidies and loans, they do not benefit profits. Moreover, there are the Berlin allowances for depreciation firms whose interest in high costs (and, therefore, loss allocations) fits only too well with the cost inflationary system.

Everyone involved profited: Politicians who boast of ambitious new construction programs, entrepreneurs who milk construction, capital investors who are sure of profits by the absolutely safe calculations of the

contractors, and construction workers who fought and gained top wage rates in Berlin.

However, since 1984 the wonderful increase in money in Berlin has come up to its limits. The resources of the WBK are falling short for the first time--a housing construction program involving 4,800 units is confronted by more than 20,000 applications for subsidies. As a result, inclusion in the WBK housing construction program has become as vital for the contractors as site purchase and building permit.

In the past, jobs on the executive of the WBK tended to be allocated on political principles: Former finance senator Klaus Riebschlaeger drew the winning ticket for the SPD, influential Klaus Landowsky got in for the CDU. The more delicate are the investigations pursuing the flow of donations to the WBK by the generous construction entrepreneur Kurt Franke.

-- WBK executive board member Klaus Riebschlaeger (SPD), for example, received DM10,000 for his personal use, in addition to a major donation to the SPD. He repaid the money when Franke was arrested. Two files full of applications by the Franke firm and handled by Riebschlaeger have now been sent to the public prosecutor.

-- Suspended on suspicion of bribery was construction official Hans Manzke: In the absence of construction senator Klaus Franke, he had at some time headed the so-called "coordinating committee" which ultimately decides inclusion in the WBK's subsidy program.

Compelled by successive disclosures about the construction scandal, Diepgen has now appointed a commission to review how to make decisions clearer and how to reduce the innumerable special decisions. At last and after long hesitation, the Berlin party chief has ordered a search of membership lists to discover black sheeps and new regulations regarding the disreputable system of donations. But this is becoming a race against time--and the investigations of the public prosecutor's office which are still in the initial stages. Bonn's Federal Chancellery is increasingly worried that Diepgen may lose this race.

11698

CSO: 3620/558

ECONOMIC

FEDERAL REPUBLIC OF GERMANY

BRIEFS

CONTINUING ECONOMIC GROWTH PREDICTED--The Association of German Industry and Commerce [DIHT] has noted increasing optimism in the economic sector. The economic upswing is expected to continue up to 1987 as a result of a strong investment leap, strong domestic demand, and a constant export. The DIHT's spring survey reveals that 22 percent of the companies are willing to hire new personnel. According to DIHT Executive Manager Schoser, dropping oil prices and the first stage of the tax reform have resulted in enhanced purchasing power. [Text] [Hamburg ARD Television Network in German 1900 GMT 25 Feb 86] /8309

CSO: 3620/595

ECONOMIC

FINLAND

OFFICIAL SEES SLOWER GROWTH AHEAD FOR GNP

Helsinki HELSINGIN SANOMAT in Finnish 21 Feb 86 p 26

[Article: "Fat Years Are Past"]

[Text] The overall growth of the Finnish economy last year was 2.8 percent or a little less than had been predicted. But we did stay on the 3 percent growth track of recent years noted the head of the Statistical Center, Olavi Niitamo, in presenting the figures for the national economy for last year on Thursday.

Niitamo predicts that the 7 fat years, the years during which the average growth was nearly 4 percent, are past. He said that the jump-rope of Finnish economy is controlled at both ends by exports, both eastern and western, and they don't look favorable.

Last year began on a promising note, but a turn for the worse took place during the summer and by the end of the year growth had stopped. The greatest fault lay with world market price trends and increased cellulose production capacity elsewhere in the world. The decrease in the value of the dollar meant the strengthening of the Finnish markka and an unfavorable price development for paper exporters.

Cellulose exports began to decrease in late spring and paper exports a half year later. This was reflected in production almost immediately.

Time will tell whether other production will make up for the setback in wood and paper production. The developmental prospects by production areas do not seem encouraging, Niitamo estimates.

Consumption kept economic activity going last year, but the growth of investment, the other drive shaft of national economy, remained insubstantial as construction investments stayed at the 1984 level.

Neither did exports grow from the previous year's level. Exports to the West practically dried up as the skid of the dollar strengthened the mark. Eastern exports remained lively. Possible problems there will become evident in the beginning of the year, Niitamo noted.

During last year, consumption grew by 3.5 percent, investments by 3.1 and exports by 0.4 percent.

27 March 1986

ECONOMIC

FINLAND

FINANCE MINISTRY FORECAST WARNS OF EXCESSIVE IMPORTING

Helsinki HELSINGIN SANOMAT in Finnish 21 Feb 86 p 26

[Article: "Finance Ministry Warns of Growth of Imports"]

[Text] The Finance Ministry predicts that real available income will increase considerably this year and fears that the increased purchasing power will be directed toward imports and foreign travel. Since the prospects for exports are weak, the exchange balance deficit is threatening to grow again.

Consumer demand control should be the goal of economic policy. For example, a quick, considerable lowering of the interest rates is not appropriate because money should be directed toward savings, says the Finance Ministry. However, the ministry does not wish to issue more detailed directives to the Bank of Finland which is expected to propose the lowering of interest rates on Friday.

Another worry for the Finance Ministry is the precipitous fall in the price of oil, which, however, is considered temporary. One alternative is that the reduction will not be allowed to fully affect retail prices, said the general manager, Pertti Sorsa, on Thursday while presenting a new revised economic forecast.

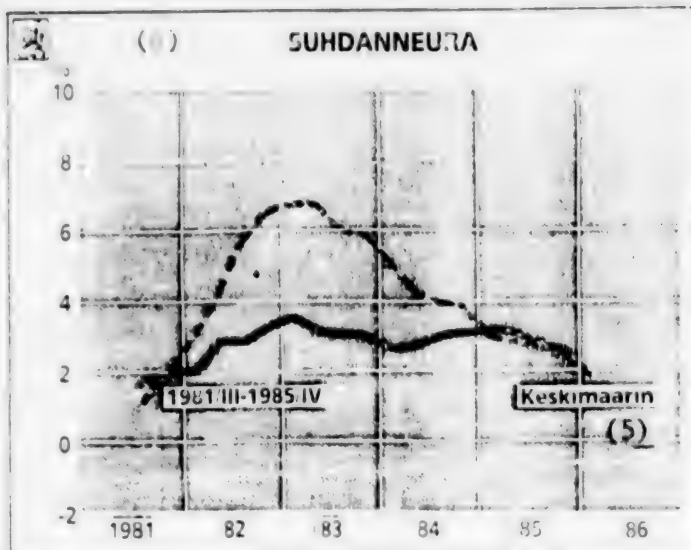
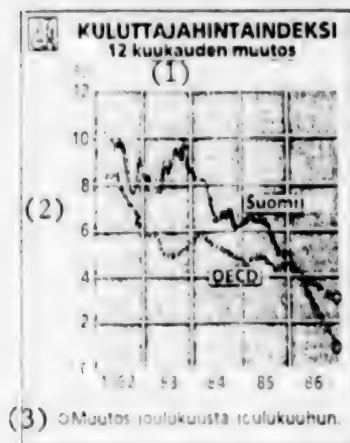
Sorsa urged Finns to save more. This could be speeded up by enacting an investment law and by having banks develop more attractive saving plans.

According to Finance Ministry calculations the real income available for households will rise 3.5 percent this year without new wage increases. Since the household income last year averaged about 90,000 markkas this would mean an increase of about 3,000 markkas, says Sorsa.

Imports Grow by 2 Percent

The Finance Ministry presented its new economic forecast in which the growth of imports this year is estimated to be only 2 percent. The estimate has been revised downward by 1 percent since the preparation of the budget.

The increase in imports depends entirely on consumption since the exports are standing still and investing likewise is not essentially growing.



Key:

- | | |
|-------------------------|-------------------------------------|
| 1. Consumer Price Index | 3. Change from December to December |
| Change in 12 months | 4. Economic trend |
| 2. Finland | 5. Average |

Jobs are increasing at a slower rate than last year and unemployment has reached 6.5 percent.

Inflation is continuing to slow down so that the general rise in prices this year is 3 percent. It is predicted that consumer prices will rise by 1 percent between last December and this one. This estimate is based on the fact that a base line will be agreed on during import negotiations.

The Finance Ministry estimated that commodity exports will grow only by 0.5 percent. The decline of the dollar and the price of crude oil will decrease Eastern exports. In Western markets demand will increase slightly, but weak price competitiveness limits possibilities for benefiting from the situation. The amount of Western exports is expected to grow by 2 to 3 percent.

The outlook for export of forestry products is poor. Also the growth of exports in the metals industry will remain small.

Imports will grow by 2 percent this year, especially, of consumer goods.

Balance of trade is expected to continue showing a surplus and the deficit from the exchange is supposed to grow compared to last year. It is predicted to reach 4.5 billion markkas.

12989/6091

CSO: 3617/74

ECONOMIC

FINLAND

MINISTER: OIL PRICE DROP HURTS PROSPECTS TO BALANCE USSR TRADE

Helsinki HELSINGIN SANOMAT in Finnish 23 Feb 86 p 24

[Article by Kalle Heiskanen: "Increase in Imports Encounters Roadblock; Oil Price Collapse Stymies Goals of Those Who Trade With East"]

[Text] Achieving a balance of trade between Finland and the Soviet Union by increasing imports will not be a quick success, says Foreign Trade Minister Jermu Laine. The steady drop in the price of oil has caused a severe decline in the value of imports, and the development is also gradually threatening exports to the Soviet Union.

There is a continuous search for articles to import, according to Laine. "Right now, for example, we are looking at whether it is possible for us to import coal from Siberia by boat. Some sample amounts are currently the target of analysis," says Laine.

The goal is also to obtain additional electricity, raw materials of the chemical industry, raw materials of colored metallurgy, and processed products of oil. The only problem is that many of the articles Finns want are also purchased by other countries. One businessman states the problem concisely: "The Soviets do not sell to Finland within a clearing framework if they can get hard currency elsewhere."

Even officials who conduct business with the East admit you do not always get as much of each article as you would like.

Minister Laine says that "odds and ends will accumulate" over the long haul. He is waiting for a decision on natural gas by the capital city region and by Finland Proper. "If the republic decides to order one or two 500-megawatt nuclear power plants and if Perusvoima makes a business decision in favor of the Soviet Union, it will have a psychological impact."

Laine also concedes that the purchase of power plants "is not such a tremendous amount of imports per year." According to current estimates, the share of the contribution to imports would be 400-500 million marks per year.

And what if Finland bought a squadron of new MiGs?

Laine dismisses the question: "That is not realistic." He says there are strict quotas in the basic agreement. In addition, he points out that a vehement political debate on the power to order articles is conducted every year.

"A few persons in each group, including the Social Democratic Party, take the hard-line view that the budget for the Defense Forces cannot increase at a pace different from that of the budget for the entire state," says Laine.

By the end of the year, according to the harshest estimates, the value of the oil imported from the Soviet Union this year will be as much as 4-5 billion marks less than when this year's commodities-exchange protocol was signed last December.

The current year's exchange of commodities will be almost 38 billion marks, according to the protocol. The basic goal is half exports and half imports. More than 80 percent of the imports are oil, oil products, and natural gas.

In Laine's opinion, calculating the drop in the value of imports is more theory than hard facts. "Now that we see at what level the price of oil is starting to stabilize, we can study various alternatives. The theoretical model will most likely not be realized as such."

Before cuts are made in the export quotas of Finnish firms, other methods will be tested, including the postponement of projects which increase exports. "The Soviet Union's orders for ships may be rescheduled," says Laine in allusion to the dockyards' complaints about the delay in filling Soviet orders.

"We can also affect the balance of trade by delaying and deferring various projects," says Laine. He believes that renovation of the Metropol Hotel may be postponed for this very reason.

New Models Being Developed

Finland's group in the Finnish-Soviet economic commission agreed a few weeks ago that officials from the Ministry of Foreign Affairs, the Ministry of Trade and Industry, and the Bank of Finland should prepare alternative operating models. At the same time, the officials should find out what people in the Soviet Union think about the situation.

Possible decisions are expected sometime in late March or early April. By that time it will be made clear, among other things, whether it is possible to graft additional elements onto the credit limit of 300 million rubles, or roughly 2 billion marks. There is still time, according to Laine, because there was a balance of trade at the end of the year.

One possibility is the establishment of a so-called special account to which a part of the credits due is transferred. This temporary account would earn interest. When the account was last used in 1982, the interest was 5.6 percent, according to Soviet sources.

The license bureau has a central role in the supervision of exports. Goods exported from Finland to the Soviet Union must be 80-percent domestic. Soviet parts

utilized in the products are considered domestic because their use increases the needed exports.

Exporters complain that the license bureau has tightened the domesticity demands. Minister Laine says he does not have the same information. He points out that the limit is already high and that domestic products are not even found for everything.

If it is eventually necessary to cut exports, then nothing will happen without negotiations. "It is largely a question of what the order of relative importance is for the Soviet Union. We will listen to them, and we will stress our own viewpoints, for example, those linked to employment," says Laine.

12327

CSO: 3617/75

ECONOMIC

FINLAND

FINNISH FIRM DISAPPOINTED IN LOSING USSR CONTRACT BID

Helsinki HELSINGIN SANOMAT in Finnish 23 Feb 86 p 24

[Article by Heikki Arola: "Finn-Stroi Seeks Megaprojects; Soviet Union Buys Factories From West for 120 Billion Marks"]

[Text] Finn-Stroi, a construction conglomerate originally founded for major border projects, has so far been unsuccessful in implementing its new strategy: to participate with the help of West European firms in Soviet industrial megaprojects.

Yet in the opinion of Risto Kangas-Ikkala, managing director of Finn-Stroi, there is no reason to worry. Finn-Stroi missed out on just one major project that has already been resolved: the steel mill in Volsk. Finn-Stroi expects only one out of every four bids to yield favorable results.

Finnish builders and planning agencies have now awoken to the possibilities of getting in on megaprojects. According to Kangas-Ikkala, however, Finn-Stroi predicted this development some time ago, 5 years back, when the firm began to map out West European companies as potential future partners.

Kangas-Ikkala nevertheless admits that the pace of development has taken him by surprise. The Soviet Union has ordered or is ordering from the West enormous amounts of technology in various fields, factories or entire industrial complexes. What it boils down to is so-called traditional technology, not computers or micro-electronics, which are under an export ban by the United States government.

120 Billion

During the next 5 years, the Soviet Union is expected to order from the West turnkey factories valued at 120 billion Finnish marks. This sum is distributed among 25 different projects concerning all of which negotiations at various stages are now being conducted with Western firms.

Some of the negotiations are in the initial stage of disentanglement, others are already in the advanced commercial stage. A few projects probably will not see the light of day, but most of them may be completed. The 5-year plan endorsed by the CPSU party congress will answer many questions.

According to Kangas-Ikkala, Finn-Stroi together with its Western business partners is now bidding on "half a dozen" projects which are either in the commercial stage or close to it. Kangas-Ikkala expects two or three of them to be resolved this year.

Kangas-Ikkala is careful not to speak more precisely about the projects. He does not even confirm the report that Finn-Stroi together with England's Davy McKee Ltd would bid on the chemical industry plants for Budjenovsk. The contract value of the plants is roughly 20 billion Finnish marks all told. These plants will amount to the most noteworthy individual export project ever carried out in Europe. Up until now, the Finns have been able to take pride in Kostamus as Europe's largest export assignment.

Finn-Stroi, as a subcontractor of the large West German firm Mannesmann, made a bid on the 6-billion-mark steel mill in Volsk, but the contract went to Italy's Italimpianti. Just a few months before the decision, Italimpianti asked Finn-Stroi to be its partner, but an exclusive agreement signed with Mannesmann prevented it.

Binding Agreements

An exclusive agreement means that the partners are bound to each other the entire time and that the customer must accept or reject the package as such. In an open agreement, the main contractor can switch partners as occasion requires during negotiations.

Finn-Stroi favors binding agreements. The firm can put its best foot forward on binding bids. The only problem is that few major companies want to commit themselves to unknown subcontractors.

Kangas-Ikkala does not regret his commitment to Mannesmann in the bid on the Volsk steel mill. He says his choice would still be the same. When you seek a partner, you do not take just one project into account: you look for a long-term working relationship. The Soviet customer also has a say in how the package is put together.

Finn-Stroi's choice of partners is not restricted to one country. Finn-Stroi is now applying for joint projects with business firms from five countries: West Germany, England, France, Italy, and Japan. These are also the countries which the Soviet Union has chosen--for reasons of trade policy--to carry out its projects.

Finn-Stroi annually spends tens of millions of marks on its bids, but a portion of the bids is rendered in the firm's education and development account.

At the same time, Finn-Stroi has begun to study international forms of financing. Up until now, according to Kangas-Ikkala, there have been no problems in putting together packages to finance the bids.

Kangas-Ikkala complains, however, that the state has done nothing to introduce a currency-based trade with the Soviet Union. He would like an explanation, at least, of how the public authorities in other countries provide financial support for trade with the Soviets.

Gorbachev Modernizes

Party leader Mikhail Gorbachev wants to double the Soviet Union's industrial output by the year 2000. It will not happen without a drastic modernization of industry, nor will modernization succeed without Western technology.

More than half the Soviet Union's industrial plants and machines date from the Stalin era, the 1930s, and nearly half the workers perform manual labor.

The Soviet Union's need for Western technology centers primarily on two areas: steel and the chemical industry.

Even though the Soviets have made many technological discoveries--some of them are even used in the West--they have not always succeeded in adapting them for mass production.

From the West, for example, the Soviet Union needs factories which turn out thin-plate steel. The requirements of the chemical industry center on various plastics, pesticides, fertilizers, and artificial fibers.

The Soviet Union has periodically modernized its automotive industry with the aid of European firms. It may be forced to do so again at the end of this decade. Large processing-machine plants are also on the order list.

Finn-Stroi and other Finns compete on these insatiable markets. "Finnish builders are in the catbird seat for the time being," says Kangas-Ikkala, "but the others are learning all the time."

12327

CS0: 3617/75

ECONOMIC

NETHERLANDS

ENTERPRISES SEE GOOD ECONOMIC PROSPECTS

Rijswijk PT/AKTUELL in Dutch 15 Jan 86 p 13

[Article by KC: "Recent Developments and Prospects of Netherlands Economy Look Good. Survey Clearly Shows Better Results"]

[Text] As the new year came in, it generally appeared that both recent developments and prospects for the Netherlands economy look good. Optimistic sounds were being heard, some of them in the traditional survey of 10,000 firms carried out by the Chambers of Commerce. Professor Rutten, a prominent economist, spoke of possible economic growth of more than 3 percent in 1986.

The graphs on this page [not reproduced here] illustrate the improved developments over several years, or even over a number of years, in Netherlands business. Things are going better, on a broad front. After the "recovery" year in 1984, developments in 1985 were broadly positive again (that the construction sector still formed an exception to this was noted not long ago in this magazine).

Although the Union of Chambers of Commerce's so-called ERBO [Regional Business Developments Survey] showed turnover growing less strongly than in 1984, real turnover was up a bit from 1984, thanks to the still modest rate of inflation. The large wholesale firms in particular did strikingly well. But the agricultural sector, industry, and services also saw their turnover increase.

Thus construction is still lagging. But the retail trade (which did not do terribly well in 1984) was just able to make up for inflation with a slight rise in turnover. In 1985, 15 percent of the firms were still suffering losses, as compared to 18 percent in 1984, and 21 percent in 1983. For this year the prediction is that only 12 percent will make losses. Investments also increased: an average of 5 percent (it was just 0.5 percent in 1984).

Less Export

Developments in exports were less rosy according to this study. The volume of exports did increase (4.6 percent), but real growth was considerably less than in the good export year of 1984. In industry the paper and chemical industries saw positive developments again. The food and stimulant industries did less well; growth in turnover lagged.

In the metals sector the transport (cars, etc.) and electrical engineering industries scored higher turnovers. In the retail trade too sales of cars and motorcycles were clearly improved. In the services sector, business services (consulting, engineering, and advertising agencies, etc.) showed striking growth in turnover, investments, and employment. The brokerage business was able to convert a 6 percent drop in turnover in 1984 into 7 percent growth. The hotel and catering trade had relative drops in turnover.

Expectations for this year are rosier than for last year. More firms--particularly wholesalers and industry--expect further growth in turnover. Too, the number of firms that see their profits improving is also growing. Too, more firms appear to have plans to invest in 1986. In the group of large firms that percentage is 91, and among small firms it is 37 percent. Wholesalers and industry are the most positive about 1986.

Training--Labor Market

This 12th Regional Business Development Survey, as it is officially called, is the first one to consider the relationship between training and the labor market. The Chambers of Commerce attend to the interests of regional business. This includes worrying about making the proper connection between training and business needs. Almost 10 percent of all personnel were hired in 1985.

Among firms with job vacancies there were problems resulting from the discrepancy between the supply of personnel and the training required. The most bottlenecks showed up in the chemicals and metals industries, but other industrial categories scored high as well. The most problems arose with middle-ranking and lower personnel. Most complaints concerned inadequate practical knowledge and specialized expertise and inadequate customer-orientation.

At least 14 percent of the firms queried say that in 1986 they will be hiring again. The large firms in particular are already noting that new problems will come up in this connection. Specific problem groups are technical-commercial workers and automation experts.

Netherlands business turnover rose by almost 4 percent. Taking inflation into account, real growth in turnover amounted to 1.6 percent, a bit more than in 1984. For the first time since 1979 there were more firms with a rise in turnover than firms with a drop in turnover. An important contribution to this rise in turnover came from the wholesale trade, particularly the large firms in this sector.

Investments

In the agricultural sector, industry, and services, turnover also rose again. In construction there was another slight drop after the stabilization in 1984. In the retail trade the increase in turnover roughly matched the inflation rate. As for exports, growth clearly slowed down in comparison to 1984. The growth in exports amounted to 4.6 percent in 1985, compared to growth of 11.1 percent the year before. Wholesalers and industry scored real growth, but in the service sector the growth was not sufficient to match the inflation in export prices.

1985 was also a better year for company results and profits. The percentage of firms making losses was further reduced, from 18 to 35 percent [sic]. The improvement was greatest in the wholesale trade, followed by industry and construction. The retail trade still has the highest percentage of loss-making firms. The difference in how small and large firms assessed their profits just about disappeared last year. Among the large ones the percentage of companies with satisfactory profits increased from 51 to 59. In 1985 the percentage of participating firms judging their profits to be satisfactory reached the highest level since ERBO started in 1975.

In 1985 the percentage of firms making investments also increased. This continued the positive trend that started in 1983. In 1982, 33 percent made investments; in 1985 that percentage rose to 44. Total investments grew by 5 percent. The agricultural sector, the retail trade, and services dropped; the growth in small industrial firms was very modest. On the other hand investments by large firms in this sector rose sharply: 21 percent. The percentage of firms investing for expansion also rose again this year.

The number of people employed in business rose by 3 percent according to the study. This represents a strong continuation of the upward trend in employment. In 1984 growth was still just 0.5 percent. The growth in employment was spread throughout all sectors. Among small firms there was greater than average growth in construction, industry, and services. Among large firms, that occurred particularly in services and the retail trade. Where investments are growing, employment is also growing. The firms that say they are showing better results also appear to have hired more people.

Those are the ERBO results then. The VNO [Federation of Netherlands Enterprises] has a comment to add. This business organization points out that ERBO's figure for the change in the volume of exports differs considerably from what the CBS [Central Statistical Bureau] noted. The CBS found growth of 9 percent for the first 9 months of 1985. If energy is excluded, growth actually is 9.5 percent. Now the rate of growth may well level off, but that could not reduce the final result to ERBO's 4.6 percent. Roughly 8 percent growth in the volume of exports is more along the lines of what VNO expects.

Rutten: Investing

In his traditional year-end survey in ESB [possibly ECONOMISCH-STATISTISCHE BERICHTEN], the economists' magazine, Prof. Dr. F.W. Rutten, secretary general in the Ministry of Economic Affairs, spoke of possible growth of 3.5 percent for this year. For 1985 he said growth of 2 percent had been achieved. This year the Netherlands does not need any special changes in the economic climate in order to do considerably better. There should be no obstacles to further growth.

Investment should be stimulated, technological modernization sped up, pay increases kept moderate so that growth in employment can contribute to economic growth. The government must keep on cleaning up its expenditures for another 2 years. Then in 1988, the top civil servant says, there will be some room again for a reforming, growth-stimulating policy. First the financial "hurdle" of 1987 has to be gotten over.

That is the year, after all, when the government expects a sharp fall in gas revenues. After that there will have to be a reorganization of our system of government taxes, premiums, and transfers. Now the chances for higher growth and lower unemployment in the coming years are to a considerable extent up to us, Rutten says. It depends on our policy choices whether the result will be growth of 1.5 or 3.5 percent, and whether employment will grow by 1-1.5 percent or fall.

12593

CSO: 3614/68

ECONOMIC

NETHERLANDS

STATE LOSES MONEY ON EXPORT INSURANCE IN 1985

Amsterdam DE VOLKSKRANT in Dutch 4 Feb 86 p 2

[Article by our correspondent: "Export Insurance Costs the State 909 Million. Once Again Argentine Gas Pipeline Swallows Up the Most Money"]

[Text] Amsterdam--Last year the Netherlands lost 909 million guilders on reinsurance of export credits by the state, mainly on sales to Argentina. In the previous year, all of 982 million guilders went for this. These facts emerge from figures from the NCM, the Netherlands Credit Insurance Company. The Company insures risks that companies take when they deliver goods and services and are paid afterwards.

The loss to the treasury comes about because of a reinsurance agreement which the NCM has had with the state since 1932. This covers the political risks that NCM runs in insuring exports, such as failure to pay because of the outbreak of war in the debtor's country or because the government in the country has forbidden money to be transferred to the Netherlands. The commercial risks (bankruptcy on the debtor's part, for instance) remain with NCM. Last year the Company and its private reinsurers lost 139 (134) million guilders on that.

In the 1982 the state still had a surplus of 153 million guilders from reinsurance. After that the lagging world economy led to rough years: in 1983 a loss of 650 million, then 982 and 909 million as mentioned above.

Nations producing large losses for the Netherlands are Poland, Nigeria, and Argentina. In the period 1975-1984, a net of 443 million guilders was paid out on sales to Poland (losses paid less premiums received), while Nigeria produced losses of 487 million in this period. Payments on Argentine sales produced a loss last year alone of 339 million guilders and of 442 in 1984. That is mainly due to the long-running conflict over the Cogasco Project, the construction of a gas pipeline by Boskalis.

These figures for losses are not final, by the way. Countries cannot go bankrupt, as NCM General Director J.W. Hoobroeckx puts it. There are negotiations on repayment, and it can happen that in the end some of the loss is recouped. Thus last year the state received 225 million back for losses that had already been paid. This money is called provenus.

Besides the provenus there is also income from premiums to help offset losses. Last year the NCM and its private reinsurers received 257 (246) million guilders in premiums, and the state received 155 (124). According to the NCM there are no plans to raise premiums this year. At the start of last year the premiums on medium-term insurance were raised by an average of 15 percent, while premiums for short-term insurance were unchanged on balance.

The final balance last year was a net loss for the state of 529 (719) million guilders.

The premium income represents insurance on the gigantic sum of 63 billion guilders in insured sales. Of that, 41 billion is from domestic sales and 22 billion from foreign. Both sums are only slightly different from 1984. Within the export category, however, there has been a clear shift. The value of capital goods and contractors projects has just about halved, down to 2 billion guilders, which means that insured exports of other goods and services have increased.

The NCM is consulting with contractors about revising the contractors policy. "Not to see to it that we suffer fewer losses on them but rather to make it clear on paper for both parties what is to be done in certain complicated circumstances that are mostly connected with a shortage of money on the part of the debtor," Hoobroeckx says. This mainly involves circumstances where the contractor may or may not be obligated to continue on with a project he has begun.

"Sometimes it is more advantageous for the contractor not to work any more on a project if a debtor fails to pay for parts of it already completed. He pushes the loss off on to the policy, and that means a loss for the credit insurer. The latter may find it more advantageous for the contractor to go ahead with his project, because there is then a chance that the debtor will finally pay the full amount of the contract."

The NCM finds that because of improved economic conditions, more firms are inclined to carry their credit risk themselves and no longer to insure it. That, and the fact that there is ample room for growth in its market, has led the NCM to undertake an intensive advertising campaign. According to Hoobroeckx the potential market for the NCM, which actually has no competitors to fear in the Netherlands, is three times what the company currently has.

"You sometimes see our clients act very strangely. There are some that say that they have paid their premiums for 3 years now but have never had a loss. That then is cause for them to carry the credit risk themselves. Of course that is illogical, you would never do anything like that with the insurance on your house. We are now trying more than in the past to bring our credit insurance product to the public's attention. We are doing so through advertisements in the weeklies and in a series of spots on television," the NCM says.

12593

CSO: 3614/61

FINLAND

FINLAND

FIFTH NUCLEAR UNIT HOPED FOR OPERATION BY 1993

Energy Consumption Increase Justified

Helsinki HELSINGIN SANOMAT in Finnish 14 Feb 86 p 2

[Article title: "Energy Program Getting to Be Ripe for a Decision"]

[Text] With their consequences, the oil crises of the past decade lessened the need for energy. A surplus of electricity was produced and it was unnecessary to develop new power plant capacity. There was also time for a lively and many-sided energy debate. We were able to unhurriedly and thoroughly consider alternatives. However, one hardly ever reaches undisputed conclusions.

There is, nevertheless, no time for endless consideration. These past few years electricity consumption has increased at a surprisingly rapid rate. We need more energy production; the basic issues relating to the electricity supply for the next decade are already in need of decisions. Now they can be made on the basis of much more thorough preparation and more mature consideration than would have been possible before. Uncompromising attitudes have softened and knowledge of the subject has increased.

A great deal of time is required from the moment a decision to build a big power plant, especially a nuclear power plant, is made until it starts to produce electric power. The construction program proposed by the Trade and Industry Ministry last fall also included a nuclear power plant, which industry and the power companies had long been pressing for.

The Trade and Industry Minister Seppo Lindblom has given the green light for bids for the construction of a nuclear power plant, bids that will probably very shortly be submitted too. He has announced that he will be very disappointed too if the entire government does not adopt a favorable view of the program, through which our nuclear power capacity will be increased in a quite deliberately cautious manner. The Center Party is, to be sure, committed to its negative stand until its party congress next summer, but the government is in no greater hurry than we are to reach a decision either.

Nuclear power is not without problems, but neither are the other alternative sources of energy. The dangers and inconveniences are not commensurable, but we must, nevertheless, be courageous and make decisions if the point of departure is a given need for energy.

27 March 1986

The Trade and Industry Ministry has handled the drafting of the energy program in a commendably careful and calm manner. An objective political discussion of the program is now imperative so that an energy policy dead end may be avoided. We cannot reasonably even appeal to the incomplete status of the nuclear energy law since it is possible to make decisions in the spirit of the law.

Perusvoima Firm Would Build

Helsinki HELSINGIN SANOMAT in Finnish 15 Feb 86 p 36

[Article: "Goal Is a Fifth Nuclear Power Plant by 1993; IVO's A. Palmgren to Be Manager of Perusvoima in Addition to His Own Work"]

[Text] The country's two nuclear power companies, Imatran Voima [Imatra Power Company] (IVO) and Teollisuuden Voima [Industrial Power Company] (TVO), founded a company called Perusvoima Oy [Basic Power Company] on Friday.

The goal of the company, which is half-owned by the partners, is to build and own a fifth nuclear power plant in Finland. In the opinion of Perusvoima's part-time general manager, IVO production manager Anders Palmgren, this goal will be attained by early spring 1993.

The new company's first concrete task is to submit a petition to the Trade and Industry Ministry on the basis of which the ministry can make a decision in principle on the new nuclear power plant. The petition for a decision has been long since carefully formulated and Perusvoima plans to submit it this spring, apparently very soon.

Perusvoima's participant companies have drafted a joint study for the petition, the main emphasis of which, according to a communique issued by the companies, is on research performed by rather small plants like Loviisa and Olkiluoto.

According to Palmgren, Perusvoima's petition for a decision in principle is in conjunction with an overall energy policy study in progress at the Trade and Industry Ministry which will probably lead to a decision by the end of this month or early next month. By means of this timetable, Palmgren believes that there will be sufficient unanimity to reach a decision on the nuclear power plant at the political level too, that is, in Parliament, by this fall at the latest.

The state power company, IVO, is participating in the Perusvoima nuclear power company with the permission of its owner, the Trade and Industry Ministry, but Palmgren does not, however, concede that the petition for a decision in principle will be approved on the basis of this even before it is submitted. "IVO's participation does not mean that construction of a nuclear power plant will be approved. That decision will be made on the basis of other criteria," Palmgren said.

Casual Organization -- Small Capital Stock

Nothing is said about a nuclear power plant in Perusvoima's articles of association. The construction of power plants and production of electricity are

specified as the company's domain of operations, but "a nuclear power plant is probably primarily intended by this."

According to its general manager, Perusvoima, or Pevo, is a small cover organization which buys the amount of labor called for in the power plant plan from its partners or elsewhere. The staff is limited to a few dozen and the capital stock will be 10 million markkas in the initial phase. The company is located in Helsinki.

The fact that Palmgren handles the duties of general manager on a part-time basis and continues to be a member of the IVO board of directors is indicative of a certain casualness. According to him, this solution has not produced any major disagreements among the partners. The arrangement does not, however, make his position any easier since the other chief partner will surely keep close watch to see to it that Pevo's IVO general manager remains completely impartial in his authority.

According to Palmgren, the division of labor between the owner companies will decisively depend on where the new power plant is ordered from. If the plant is ordered from the Soviet Union, Pevo will presumably transfer a very large part of its assignments to IVO. Similarly, a large part of the work and the decision-making will be bought from TVO if the fifth power plant is a plant of the Olkiluoto type. As the legal and economic unit, however, Perusvoima Oy will in any event be responsible for the completion of the power plant.

Ahlstrom Heads the Board

General manager Krister Ahlstrom has been chosen as Pevo's chairman of the board of directors and IVO general manager Kalevi Numminen as the vice chairman.

In addition to Ahlstrom, Nokia industrialist Kari Kairamo, Rauma-Repola industrialist Jouko Sere and Gunnar Smeds, who is soon to retire from the post of Helsinki assistant city manager, will sit on the board under the mandate of TVO. Assistant general manager Klaus Ahlstedt, manager Pertti Voutilainen and manager Kalervo Nurmimäki are on the board as IVO members.

Krister Ahlstrom is also chairman of the Trade and Industry Ministry's Energy Committee and the leading figure of the industry's basic power project, in a way Perusvoima Oy's predecessor, which was instituted in the fall of 1983. The chairman of the project's board of directors, Forest Industry Association director Pentti Sierila, says that, as things look now, the project will continue until the end of this year, possibly even longer. Sierila reminded us that the purpose of the basic power project was not only the realization of a fifth nuclear power plant, but also the pursuit of other industrial energy concerns like taxation, the status of coal, et al.

Anders Palmgren also hopes that the basic power project will continue. According to him, the company that has just been founded is not exactly suited to carry on the work of shaping opinion with regard to the business of the project, that is, information activities, elegantly referred to as lobbying.

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CSO: 3617/71

ENERGY

GREECE

UNPAID BILLS SAID TO PREVENT DEI DEVELOPMENT

Athens I KATHIMERINI in Greek 31 Jan 86 p 1

[Text] According to an announcement by the General Federation of DEI, 30-35 billion drachmae are owed to DEI.

The beneficiaries: Ministries, Municipalities, Enterprises, etc.

Consumer debt to DEI has reached 30-35 billion drachmae. To meet this problem, DEI has decided on a program of interrupted electric service to customers whose bills are delinquent (particularly large ones) which, as mentioned yesterday by the President of the Workers Federation of DEI, Mr. D. Pipergias, will begin to take effect starting in early February.

According to the program, the interruptions in electric service will take place one day per week over a five-week period, and if the debt owed by the consumer is not paid after five weeks, electric service will be cut entirely.

Enterprises, municipalities--communities, organisms, etc. which have large debts to DEI and to which the program of interrupted electric service will apply, number about 104, including government agencies.

Some 27 large industrial entities including those in difficulty or which are under state supervision, owe DEI 30,978,273,825 drachmae.

Even government agencies are in debt to DEI--the Ministry of Public Order (110,531,094 drachmae), the General Athletic Secretariat (25,920,827 drachmae), the Organization for Land Tax Improvement (203,551,000 drachmae), municipalities and communities (219,835,217 drachmae), city and community enterprises (142,723,303 drachmae).

As mentioned by the DEI union official, DEI has cut its investment programs because there is a shortfall in its income, a development which will have ramifications on its operations and on the country's future electricity services.

The employees, via their organizations, will adopt a "step service" policy and take measures to cut the flow of electricity to delinquent customers if DEI does not enforce its interruption of electricity program.

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ENVIRONMENTAL QUALITY

EUROPEAN AFFAIRS

BALTIC COMMISSION REPORTS IMPROVEMENT IN SEA'S QUALITY

Helsinki HELSINGIN SANOMAT in Finnish 15 Feb 86 p 10

[Text] The quality of the water of the Baltic has to some extent improved during the past few years. During the same period certain new phenomena have, however, been providing cause for concern and require intensive measures on the part of the coastal nations of the Baltic.

Lasting 4 days, the seventh conference of the Baltic Conservation Commission, the so-called Helsinki Commission, has come to an end in Helsinki. The commission's first secretary, Estonian Harald Velner, and commission chairman West German Peter Ehlers have reported on the results of the conference.

Among the most positive signs is, among others, a drop in the amounts of DDT found in fish birds, which is due to the fact that the pact nations have, in accordance with recommendations in the Baltic Pact, put a stop to or drastically cut down on the use of that pesticide. The same observation also to some extent applies to PCB and mercury levels.

Nor were any serious effects of oil pollution on Baltic organisms observed either, although long-term, gradual oil pollution has caused local damage to the ecosystem. A clearcut decline in pollutants produced by ships has also been observed on the Baltic coast.

On the other hand, an increase in rank vegetation in some areas of the Baltic, particularly in the southern sections, is one of the negative developments. In drafting ways of combatting this, the commission has for the first time approved a recommendation concerning agricultural discharges. As a followup measure, they are, among other things, considering the establishment of water conservation areas and different sorts of restrictions on the use of fertilizers.

New Chemicals Pose a Threat

Another worrisome development is the appearance of new toxic chemicals in the marine environment of the Baltic. Many of these get into the sea via the air and a significant source is then the burning of waste materials. In addition, the rapid appearance of new chemicals on the market makes it difficult for scientists to keep up with the situation.

The commission has approved a general appraisal of developments over the past few years. It will probably be published early next summer.

Furthermore, the commission approved all told 12 recommendations involving, in addition to agricultural and municipal waste discharges, control of pollutants transmitted through the air and regulation of discharges produced by shipping, among others.

According to Velner and Ehlers, the commission conference went off smoothly and unanimity was reached on all the objectives that had been scheduled beforehand.

The recommendations are not binding on the governments, but all of the governments of the Baltic nations have expressed their strong political determination to comply with them.

The Baltic Pact was concluded in 1974 and it went into effect in 1980 when all of the pact nations had ratified it. What is involved is the first comprehensive conservation accord pertaining to the marine environment.

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